Turnstone Equityco 1 Limited

Annual report and consolidated financial statements

Registered number 07496756

Year ended 31 March 2018

Contents

Strategic report for the year ended 31 March 2018

The directors present the Strategic report for the year ended 31 March 2018.

Principal activities

The principal activity of the company during the year was to act as a holding company. The principal activities of the group of companies owned by Turnstone Equityco 1 Limited ('the group') 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

The group is 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 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. As at 31 March 2018, senior managers of the group held 24.6% of the equity interest in the company (2017: 15.9%).

The equity funding 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

Number of shares (% of total)	Management		Carlyle		Palamon		Total	
'A1' Ordinary ('000)	-	-	1,282	57.5%	400	17.9%	1,682	75.5%
'A2' Ordinary ('000)	18	0.8%	-	-	-	-	18	0.8%
'B' Ordinary ('000)	300	13.5%	-	-	-	-	300	13.5%
'E1' Ordinary ('000)	82	3.7%	-	-	-	-	82	3.7%
'E2' Ordinary ('000)	147	6.6%	-	-	-	-	147	6.6%
Total	**547**	**24.6%**	**1,282**	**57.5%**	**400**	**17.9%**	**2,229**	**100.0%**

Business review

Following a number of new senior management appointments during the year, the group now has a new set of seven strategic priorities, as the business works to reverse the decline in trading performance experienced in recent years and restore growth to each of our two business units:

mydentist
Through mydentist, the group owns and manages a national chain of dental practices, with 643 sites at 31 March 2018 (2017: 674). The dental practices, operating mainly under the "mydentist" brand, 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 is the largest provider of NHS dentistry in the UK, with around 64% of group revenue coming from NHS contracts (2017: 66%).

The division's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited. mydentist has continued to be affected by a challenging trading environment during the year, with the NHS dentistry business, in particular, being adversely impacted by a declining level of Unit of Dental Activity ('UDA') delivery. This decline has been due to a number of factors, including:

- a reduction in the number of hours dentists are making themselves available for work;
- a reduction in the volume of contracted UDA's held by dentists;
- a reduction in the number of eligible exempt patients resulting in changes in the UDA band mix; and
- the impact of our growth in private revenues.

Strategic report for the year ended 31 March 2018 *(continued)*

Business review *(continued)*

In response to these factors, mydentist has needed to recruit more dentists in order to fulfil the NHS contracts. During the year ended 31 March 2018, the business has significantly expanded its internal recruitment team in order to accelerate dentist recruitment from both UK and overseas channels. Over the course of the year, a number of well attended resourcing days have been held both across the UK and overseas. As a result of these actions, the group has added a net additional 232 dentists over the course of the year.

In addition, management have conducted a thorough review of the group's portfolio of dental practices to identify those which are no longer viable due to structural issues such as, for example, very low UDA contract values or where geographical isolation has made it difficult to recruit dentists. As a result of this review, decisions were taken to close or sell 49 dental practices. By 31 March 2018, the group had sold 13 practices and closed 19 practices, including two which were closed at the end of the year ended 31 March 2017. The remaining 17 practices are expected to be closed or sold by 30 September 2018. In addition, after the period end, the decision has been taken to close or sell a further 21 practices which we also expect to complete by 30 September 2018.

During the year to 31 March 2018, mydentist also acquired one practice and merged two practices into other existing practices. 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**	**2018** **No.**	**2017** **No.**
Opening	**674**	**672**
Acquired	1	6
Merged into other existing practices	(2)	(2)
Closed	(17)	(2)
Sold	(13)	-
Closing	**643**	**674**

mydentist's revenue during the year was principally 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 us by NHS England, with payment of 1/12 of the contract value paid at the beginning of each month. We 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), we 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 mydentist has variable income streams based on treatment provided to patients under private contract and to NHS patients in Scotland and Northern Ireland.

mydentist has four dental practices participating in the NHS's prototype trial process which commenced in April 2016 as the next stage in the proposed reform of the NHS dentistry contract. Under the proposed changes, NHS dentistry contracts could combine aspects of the existing UDA-based system with fixed payments for the number of patients treated. The prototype format also involves active performance management by NHS England, which includes monitoring of operational key performance indicators, such as clinical effectiveness, best practice, patient experience, safety and data quality. The prototype programme is at an early stage and the group does not expect any changes to be implemented until 2020 at the earliest, if at all, and anticipates that there would be little change to overall contracted values.

Dental Directory

Dental Directory is a leading supplier of dental and other medical consumables, materials and services (including the installation and servicing of specialised dental equipment), selling dental supplies and services to at least 8,000 dental practices, including mydentist dental practices. Dental Directory has an estimated market share of 25% in the United Kingdom, by revenue.

Strategic report for the year ended 31 March 2018 *(continued)*

Business review *(continued)*

Dental Directory *(continued)*
The principal trading entities of The Dental Directory are Billericay Dental Supply Co. Limited trading as The Dental Directory, along with a number of smaller businesses including DBG (UK) Limited, Dolby Medical Limited, Med-FX Limited and PDS Dental Laboratory Leeds Limited. During the year ended 31 March 2018, The Dental Directory has continued to grow both organically and through the acquisitions of BF Mulholland Limited on 8 September 2017 and the trade, assets and liabilities of Torque Orthodontics Limited ('Torque Orthodontics'), which completed on 30 June 2017. BF Mulholland Limited supplies a similar range of dental consumables, materials and equipment to those offered by Dental Directory, but to the Northern Irish and Irish markets, and therefore extends the geographic reach of The Dental Directory. Torque Orthodontics is a small supplier of orthodontic appliances and materials.

Dental Directory has continued to grow its revenues during the year ended 31 March 2018, however gross margins have declined both as a result of a change in the sales mix, with higher sales of lower margin products such as facial aesthetics, as well as a continuation of the increase in cost of goods sold following the decline in the value of Sterling against the Euro. The foreign exchange impact continues to be partially mitigated by market based reviews of pricing.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

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

Summary Financial Results **Year ended 31 March**	**2018** **£m**	**2017** **£m**
Revenue	**580.5**	**585.8**
Gross profit	**252.7**	**261.0**
Operating loss	**(100.8)**	**(22.7)**
Amortisation	32.1	32.8
Depreciation	21.7	20.7
Amortisation of grant income	(0.1)	(0.1)
Impairment of goodwill and intangible assets	66.3	30.0
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	29.8	1.7
Differences between contingent consideration paid and estimates initially recognised	2.9	(2.2)
Value of employee services arising from shares granted	0.8	-
Other non-underlying items	2.5	8.9
Foreign exchange	(0.1)	(0.3)
EBITDA before non-underlying items	**55.1**	**68.8**

Revenue from mydentist was £468.4 million (2017: £480.9 million) with £368.5 million (2017: £385.1 million) arising from NHS dentistry services and £99.9 million from private dentistry services (2017: £95.8 million). Revenue from NHS dentistry services comprised 63.5% (2017: 65.7%) of total group revenue with private dentistry services contributing 17.2% (2017: 16.4%). Revenue from Dental Directory, net of supplies to mydentist practices, was £112.1 million (2017: £104.9 million) or 19.3% of the group total (2017: 17.9%).

The group has continued to experience strong demand for private dentistry services within our existing practices, with like-for-like revenue having increased by 5.0% (2017: 7.0%). However this growth has been offset by a reduction in revenue from NHS dentistry services, where we have seen a reduction in the overall UDA delivery percentage, after temporary and permanent handbacks, to 86.1% for the year ended 31 March 2018 compared with 90.4% for the year ended 31 March 2017. The continuing decline in UDA delivery rates is disappointing and is the result of a combination of factors, including a reduction in the number of hours dentists are making themselves available for work, a reduction in the volume of contracted UDA's held by dentists, and the impact of growth in private revenues. In addition, the improving UK economy has reduced the number of exempt patients being seen by mydentist, which has resulted in a change in UDA band mix away from higher value band 2 (3 UDA's) and 3 (12 UDA's) treatments. In response to these factors, the group has needed to recruit more dentists in order to fulfil the NHS contracts. During the year ended 31 March 2018, management has significantly expanded the group's internal recruitment team in order to accelerate dentist recruitment from both UK and overseas channels. Over the course of the year, a number of well attended resourcing days have been held both across the UK and overseas and the group has added a net additional 232 dentists.

Strategic report for the year ended 31 March 2018 *(continued)*

Business review *(continued)*

Consolidated income statement *(continued)*
As these new clinicians settle in and their productivity starts to increase, management expects the decline in UDA delivery we have experienced to start to reverse as we go into the year ending 31 March 2019.

Gross profit for the group decreased by £8.3 million from £261.0 million for the year ended 31 March 2017 to £252.7 million for the year ended 31 March 2018. Gross margin declined from 44.6% for the year ended 31 March 2017 to 43.5% for the year ended 31 March 2018. In mydentist, gross margin improved from 46.8% for the year ended 31 March 2017 to 47.1% for the year ended 31 March 2018, principally due to savings in dentist fees, with materials and laboratory costs remaining broadly in line with the previous year. In particular, locum costs were £1.5 million lower than the year ended 31 March 2017 due to measures taken to increase locum productivity, as well as a reduction in the number of UDA's delivered by locums. The gross margin in Dental Directory was 28.4%, a decrease of 1.4 percentage points from 29.8% for the year ended 31 March 2017. This reduction results both from a change in the sales mix, with higher sales of lower margin products such as facial aesthetics, and a continuation of the increase in cost of goods sold following the decline in the value of Sterling against the Euro. The foreign exchange impact continues to be partially mitigated by market based reviews of pricing.

Staff costs have also increased, across the group's dental practices, support centre and Dental Directory as a result of living wage increases, the introduction of the apprenticeship levy and headcount increases to underpin future growth. 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.

	2018 **£m**	**2017** **£m**
Operating loss	**(100.8)**	**(22.7)**
Net finance costs	(118.9)	(122.2)
Loss before income tax	(219.7)	(144.9)
Income tax credit	11.5	11.2
Loss for the year	**208.2**	**(133.7)**

Consolidated balance sheet
Goodwill and intangible assets amount to £620.6 million (2017: £740.5 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 Dental Directory over the past seven 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 2018, the group has recorded the following impairment charges, reflecting the challenging trading conditions that have been experienced and the decisions taken to dispose of dental practices as a result of the portfolio review. Further details can be found in notes 15 and 16 to the financial statements:

- An impairment of £60.2 million was recognised during the year against the carrying value of goodwill within mydentist. This impairment principally reflects the decline that has been experienced in UDA delivery performance, and the impact of this upon estimated discounted future cashflows.
- An impairment of £5.3 million was recorded against the carrying value of intangible assets arising from contractual arrangements within mydentist 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.
- An impairment of £0.8 million was recorded against the carrying value of goodwill and intangible assets within Dental Directory, specifically in relation to our acquisition of PDS Dental Laboratory Leeds Limited, following the loss of a contract significant to that business.
- Impairments and other costs or charges totalling £29.8 million have been recorded against the carrying value of goodwill, intangible assets, tangible assets and other current assets within mydentist, to write the carrying value of assets associated with practices which have been identified for closure or sale through the portfolio review down to their estimated recoverable amounts. Where the decision had been taken to sell a practice before the year end, the estimated recoverable amount is included within assets held for sale.

Property, plant and equipment of £92.4 million (2017: £98.8 million) includes £18.6 million (2017: £19.5 million) of additions during the year resulting from upgrades to the group's dental practices, equipment and facilities.

Strategic report for the year ended 31 March 2018 *(continued)*

Business review *(continued)*

Consolidated balance sheet *(continued)*
Throughout the year ended 31 March 2018, the group had the following 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 2018, £5.0 million had been drawn against this facility, with a further £1.8 million committed against a letter of credit, leaving £93.2 million available to the group.

At 31 March 2018, borrowings, including shareholder debt, totalled £1,256.2 million (2017: £1,172.8 million). Borrowings comprise £542.6 million (2017: £540.2 million) of senior and second lien debt as detailed above, net of unamortised arrangement fees, and £5.0 million (2017: £nil) drawn against the SSRCF, along with £657.8 million (2017: £587.3 million) of 12% loan notes and £50.8 million (2017: £45.3 million) of preference shares, which together include accrued interest and dividends of £370.4 million (2017: £294.5 million). The loan notes are not redeemable until May 2021.

Consolidated cash flow statement
Cash generated from operations of £65.9 million (2017: £72.9 million) reflects the strong cash generation properties of the group's business units.

After the servicing of external finance costs, investments made in the practice estate, the acquisitions of BF Mulholland Limited, Torque Orthodontics, and one dental practice during the year, there was a net cash outflow before financing transactions, of £1.4 million (2017: inflow of £4.3 million). The group also made net drawdowns of £5.0 million against the SSRCF during the year (2017: net £6.6 million outflow). As a result, cash increased by £3.6 million (2017: decrease of £2.3 million) to leave a closing cash balance of £16.3 million (2017: £12.7 million).

Subsequent events

To the date of this report, the group has closed a further four practices and sold a further three practices as part of the ongoing disposal of those practices identified through the portfolio review. In addition, since the year end, the group has taken the decision to close or sell a further 21 practices.

Principal risks and uncertainties

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. Dental Directory 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'), which is applicable from May 2018. During the course of the year, the group has been preparing its IT systems to ensure that the group is compliant with the new regulations. A failure to adequately safeguard confidential patient information could result in significant fines, penalties and litigation.

Strategic report for the year ended 31 March 2018 *(continued)*

Principal risks and uncertainties *(continued)*

NHS contract

The NHS contract for the dentist in England and Wales, introduced in April 2006, provides clear benefits to the group, both in terms of income stability and visibility, and therefore dentist retention. 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. However, 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.

In addition, the NHS is currently in the process of competitively re-tendering the majority of its PDS contracts to deliver orthodontic dentistry services across England. The group is currently preparing bids with the aim to both retain the group's existing orthodontic dentistry contracts, as well as win additional orthodontic dentistry contracts.

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 have increased the supply of clinicians available to the group. 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 is currently working to recruit additional clinicians in order to deliver its NHS contracts. In addition, the UK's decision to withdraw from membership of the EU may impact the supply of clinicians in future and the group continues to monitor developments.

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 continued to invest in its own training resource, the mydentist Academy, along with the accompanying on-line training system.

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 31 to the financial statements.

Strategic report for the year ended 31 March 2018 *(continued)*

KPIs – financial and non-financial

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

KPIs **Year ended 31 March**	**2018**	**2017**
Revenue (£'m)	580.5	585.8
EBITDA before non-underlying items (£'m)	55.1	68.8
Operating loss (£'m)	(100.8)	(22.7)
NHS dentistry services as a percentage of group revenue (%)	63.5%	65.7%
Private dentistry services as a percentage of group revenue (%)	17.2%	16.4%
Dental Directory revenue as a percentage of group revenue (%)	19.3%	17.9%
Like-for-like private revenue growth (%)	5.0%	7.0%
Like-for-like private revenue growth per working day (%)	6.7%	5.7%
UDA[(1)] delivery (% of total contract, after temporary and permanent handbacks)	86.1%	90.4%
Total number of UDAs[(1)] delivered (million)	11.7	12.6
Gross profit margin (%)	43.5%	44.6%
Overheads as a percentage of revenue (%) [(2)]	34.4%	33.1%
EBITDA margin (%)	9.5%	11.7%
Number of dental practices	643	674
Proforma LTM EBITDA (£'m) [(3)]	57.3	70.3
Net bank and bond debt (£'m)	531.3	527.4
Net debt to EBITDA	9.64	7.67
Net debt to Proforma LTM EBITDA	9.28	7.50
Cash generated from operations (£'m)	65.9	72.9
Cash generated from operations net of interest paid (£'m)	25.6	34.4

(1) UDA – Units of Dental Activity, measures set by the NHS Regions as part of the contract terms. The UDA delivery % shown above is stated after temporary and permanent handbacks agreed in-year. The UDA delivery % before handbacks for the year ended 31 March 2018 was 82.7% (2017: 88.0%).

(2) 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.

(3) Proforma EBITDA has been calculated in accordance with the methodology set out in IDH Finance Plc Offering Memorandum dated 22 July 2016 and represents the estimated EBITDA of the group after adjusting for the full year ownership effect of acquisitions and disposals completed during the year ended 31 March 2018.

Strategic report for the year ended 31 March 2018 *(continued)*

Social matters

The group owns a national chain of dental practices, operating principally under the 'mydentist' brand, with 643 sites throughout the UK as at 31 March 2018 (2017: 674). Our dental practices provide community dental services to more than 5 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 2018, mydentist held contracts for approximately 15% of all units of dental activity ('UDA's') commissioned by the NHS in England and Wales. Therefore, 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 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 25% of all five year olds have tooth decay, and it is currently the number one reason why a child aged between five and nine enters hospital in order to have a general anaesthetic, the point at which it is too late. Around 45,000 children up to the age of 19 were admitted to hospital with tooth decay in 2016/17 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. mydentist 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 our 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. In 2017, our clinicians helped to train health workers in the Morogoro region to provide sustainable emergency dentistry to remote communities.

The group also has a charity committee, comprised of employees from across the business, who organise a range of fundraising events throughout the year to support the group's chosen charity, which is currently Cancer Research UK. All employees are encouraged to participate. During the year ended 31 March 2018, our employees' fundraising activities raised £98,000 for Cancer Research UK.

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, 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. A number of initiatives are currently being rolled-out across the business, including reducing staff travel through the use of on-line meetings; increasing the use of low power LED lighting across the estate; and initiatives across our dental practices and in our support centre to reduce waste. In addition, the group contracts with a third party to manage the safe and responsible disposal of all of our clinical waste.

Strategic report for the year ended 31 March 2018 *(continued)*

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 mydentist 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 include '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. Additionally, the group regularly briefs employees on matters of concern to them, including the financial and economic performance of their business units.

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. In 2018, mydentist was awarded the 'RoSPA Commended in the Healthcare Services Industry Sector Award'. This builds upon our previous three years of success where we achieved Gold Awards.

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 2018 *(continued)*

Future outlook and strategy

Whilst the market continues to be challenging for dentistry in the UK, with pressures on NHS funding and consumer spending, the directors believe that the group continues to be well positioned to take advantage of further opportunities. In particular, the group will continue to focus upon reversing the decline in trading performance experienced in recent years and restoring growth to each of our 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;
- increasing the number of clinician hours available to patients by recruiting additional dentists and working with existing clinicians;
- 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 Dental Directory;
- leveraging the investment in the mydentist brand to attract new customers, increase brand recognition and expand our 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

O Shafi Khan
Director
26 June 2018

Directors' report for the year ended 31 March 2018

The directors present their report and the audited consolidated financial statements of Turnstone Equityco 1 Limited for the year ended 31 March 2018.

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 (2017: £nil).

Directors

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

J Bonnavion	
A Bowkett	
A Burgess	
B Cockcroft	
L Elson	
K Jayaraman	
T Riall	(appointed 8 May 2017)
O Shafi Khan	(appointed 16 October 2017)
WHM Robson	(resigned 31 December 2017)

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and company 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 IFRSs have been followed for the group and company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Employees

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

Directors' report for the year ended 31 March 2018 *(continued)*

Political and charitable contributions

The group made charitable contributions totalling £41,224 during the year (2017: £6,654). The group made no political donations during the year (2017: £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.

Subsequent events

To the date of this report, the group has closed a further four practices and sold a further three practices as part of the ongoing disposal of those practices identified through the portfolio review. In addition, since the year end, the group has taken the decision to close or sell a further 21 practices.

Going concern

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 day to day working capital requirements through cash generated from operations and its borrowing facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate within the level of its current facilities. At 31 March 2018, the group currently has £93.2 million of available headroom under its £100 million SSRCF, which is available until 2022, with no significant covenant restrictions over drawdown. The group's other principal borrowing facilities, which comprise £150 million of senior secured fixed rate notes, £275 million of senior secured floating rate notes, and £130 million second lien notes, are available until 2022 or 2023.

The group's loan notes and redeemable preference shares, along with all interest and dividends accrued thereon, are not repayable until the earlier of a sale of the business or 2021. Therefore, the group has no short term cash obligations in respect of these debt instruments.

Furthermore, the group remains cash generative at the operating level, with the reported operating loss and loss before tax arising principally from non-cash items, including the amortisation and impairment of goodwill and intangible assets, depreciation, and non-cash interest accrued on shareholder loan notes. The group's net current liability position is structural, as a result of the way in which the NHS pays the group in respect of the NHS dentistry contracts.

Further information on the group's available borrowing facilities and covenants can be found in notes 24 and 31 respectively to the financial statements.

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

O Shafi Khan
Director
26 June 2018

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

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 March 2018; the Consolidated income statement, the Consolidated statement of comprehensive expense, the Consolidated and Company cash flow statements, the Reconciliation of movements in net cashflow to movement in net debt and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

- Overall group materiality: £1.4 million (2017: £1.7 million), based on 2.5% of earnings before interest, taxes, depreciation and amortisation and before non-underlying items (Adjusted EBITDA).
- Overall company materiality: £41,000 (2017: £32,750), based on 1% of total assets.

- The two divisions within the group are mydentist and Dental Directory. Within these divisions the significant components are the mydentist companies (mydentist) and Billericay Dental Supply Co. Limited (Dental Directory). Components have been scoped based upon EBITDA contribution to the group.
- Our audit scope addressed over 98% of group revenue and 96% of group EBITDA
- Excluding the full scope components, we have audited specific financial statement line items being the borrowings within IDH Finance Plc.

- Valuation of goodwill and intangible assets (group).
- Going concern (group and company).

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report to the members of Turnstone Equityco 1 Limited *(continued)*

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.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets	
Group	
Goodwill of £247.9 million (2017: £317.7 million) and intangible assets of £372.7 million (2017: £422.8 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. The directors have prepared a five year perpetuity model which examines multiple factors and estimates. The impairment model is split into two cash generating units (CGUs), being mydentist and Dental Directory. The models incorporate a number of estimates, key ones being: • Forecasted EBITDA for each of the next five years and then into perpetuity, including inflationary assumptions; and • discount rates; An impairment charge of £66.3 million (2017: £30.0 million) has been recorded in the current year against goodwill and intangible assets. This is largely due to the loss made in the year and the decline in the units of dental activity (UDA) rates over the last two years.	We evaluated and assessed mydentist's and Dental Directory's future cash flow forecasts and the process by which they prepared and tested the underlying calculations. During our testing we noted the following: • We found the cash flow forecasts to be consistent with the Board approved strategic plan. We reviewed the proposed increase in UDA delivery rates based on management's plans to increase the number of dentists working in the Group, and their enhanced review into the performance of specific dental practices. We further reviewed the EBITDA forecasts by evaluating the impact of expected changes to the proportional delivery of public and private UDAs and the impact of cost improvement plans; • 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; • The terminal growth rate is in line with long term NHS estimates of inflation but lower than long term UK inflation expectations. We consulted with our internal experts and concluded this was appropriate based on our understanding of the business and its services; • 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 all three of the key assumptions discussed 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, in addition to the £66.3 million, is required.

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

Key audit matter	How our audit addressed the key audit matter
Going concern	
Group and company	
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 overall liability position, which is largely due to borrowings of £1.3bn. Interest is paid in cash on £555 million (2017: £550 million) of these borrowings, amounting in 2018 to £39.3 million (2017: £36.8 million). The group has an external financing facility agreement, the Super Senior Revolving Credit Facility (SSRCF). Covenant compliance in relation to the SSRCF is monitored, including an assessment of the drawn super senior gross leverage ratio, which cannot exceed 2.3:1. There are no other financial covenants on any of the other borrowings. The going concern status of the company is intrinsically linked to the success of the group.	Our testing focused on the key judgements and assumptions as follows: • We evaluated and challenged the group's future cash flow forecasts and the process by which they were drawn up. We compared the group's forecasts to the latest Board approved budget and found them to be consistent; • We have reviewed the terms of the group's financing facility and confirmed that there are no restrictions to draw down outside of the control of the group, other than covenant compliance. We have reviewed the covenants in relation to this facility and confirmed that the group is in compliance with all covenant conditions in the current year. In addition, we have compared forecasted cash flows by assessing their impact on the covenant conditions and noted no expected breaches; • We have assessed management's ability to produce reliable forecasts by reviewing the accuracy of previous forecasts; • We have reviewed results post year end and confirmed there are no significant variations from management's initial expectations which would change their conclusions over going concern; and • Considering the test results above we noted no other factors that would impact the going concern status of the company, and therefore, we concur with management's assessment that the group and company accounts should be prepared on a going concern basis.

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 two divisions within the group are mydentist and Dental Directory. Within these divisions the significant components are deemed to be the mydentist companies (mydentist) and Billericay Dental Supply Co. Limited (Dental Directory). Components have been scoped based upon EBITDA contribution to the group.

Additionally, we performed work on specific financial statement line items that we regarded to be significant to the consolidated financial statements. This included the borrowings within IDH Finance Plc.

Furthermore, we have performed procedures over the group's consolidation of these entities and significant consolidation entries.

Independent auditors' report to the members of Turnstone Equityco 1 Limited *(continued)*

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:

	Group financial statements	**Company financial statements**
Overall materiality	£1.4 million (2017: £1.7 million).	£41,000 (2017: £32,750).
How we determined it	2.5% of earnings before interest, taxes, depreciation and amortisation before non-underlying items (adjusted EBITDA).	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, adjusted EBITDA 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 £0.2 million and £1.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £68,500 (group audit) (2017: £85,000) and £2,050 (company audit) (2017: £1,637) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Turnstone Equityco 1 Limited *(continued)*

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 2018 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 set out on page 11, 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.

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

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
26 June 2018

Consolidated income statement
for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue	*4*	**580,490**	585,823
Cost of sales		**(327,772)**	(324,821)
Gross profit		**252,718**	261,002
Distribution costs		**(17,567)**	(16,562)
Administrative expenses		**(337,996)**	(269,359)
Other income	*9*	**2,010**	1,965
Other net gains	*10*	**75**	261
Operating loss		**(100,760)**	(22,693)
Analysed as			
EBITDA before non-underlying items		**55,115**	68,809
Amortisation of intangible assets	*15*	**(32,079)**	(32,784)
Depreciation	*16*	**(21,745)**	(20,702)
Amortisation of government grant income		**55**	60
Impairment of intangible assets	*15*	**(66,276)**	(30,000)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	*5*	**(29,754)**	(1,667)
Differences between contingent consideration paid and estimates initially recognised	*5*	**(2,889)**	2,152
Value of employee services arising from shares granted	*29*	**(808)**	-
Other non-underlying items	*5*	**(2,454)**	(8,822)
Net foreign exchange gains	*10*	**75**	261
Operating loss		**(100,760)**	(22,693)
Finance costs	*11*	**(119,429)**	(123,824)
Finance income	*12*	**509**	1,590
Net finance costs		**(118,920)**	(122,234)
Loss before income tax		**(219,680)**	(144,927)
Income tax credit	*13*	**11,435**	11,229
Loss for the year		**(208,245)**	(133,698)
Attributable to:			
Owners of the parent		**(208,266)**	(133,710)
Non-controlling interests		**21**	12
		(208,245)	(133,698)

All activities are derived from continuing operations.

The notes on pages 28 to 74 form part of these financial statements.

Consolidated statement of comprehensive expense

for the year ended 31 March 2018

	2018	2017
	£'000	£'000
Loss for the year	**(208,245)**	(133,698)
Other comprehensive (expense)/income:		
Items that will not be reclassified to the income statement		
Re-measurement loss in respect of defined benefit pension scheme	**(138)**	(546)
Unrecognised re-measurement movement arising from movements on defined benefit scheme in surplus to which the group has no recourse	**-**	286
Total comprehensive expense for the year	**(208,383)**	(133,958)
Attributable to:		
Owners of the parent	**(208,404)**	(133,970)
Non-controlling interests	**21**	12
	(208,383)	(133,958)

Movements above are disclosed net of income tax.

The notes on pages 28 to 74 form part of these financial statements.

Consolidated balance sheet
at 31 March 2018

	Note	2018	2017
		£'000	£'000
Assets			
Non-current assets			
Goodwill	*15*	**247,909**	317,664
Other intangible assets	*15*	**372,721**	422,843
Property, plant and equipment	*16*	**92,433**	98,796
Deferred income tax assets	*26*	**16,490**	12,753
		729,553	852,056
Current assets			
Inventories	*18*	**21,270**	19,709
Trade and other receivables	*19*	**41,277**	41,504
Current income tax		**104**	-
Derivative financial instruments	*23*	**-**	7
Cash and cash equivalents	*21*	**16,315**	12,717
		78,966	73,937
Assets classified as held for sale	*20*	**3,343**	265
Total assets		**811,862**	926,258
Equity attributable to the owners of the parent			
Share capital	*27*	**38**	30
Share premium	*28*	**1,974**	1,971
Accumulated losses	*28*	**(632,378)**	(424,634)
		(630,366)	(422,633)
Non-controlling interest		**133**	101
Total equity		**(630,233)**	(422,532)

Consolidated balance sheet *(continued)*
at 31 March 2018

	Note	**2018 £'000**	2017 £'000
Liabilities			
Non-current liabilities			
Borrowings	*24*	**1,256,205**	1,172,812
Other payables	*22*	**2,462**	1,237
Deferred income tax liabilities	*26*	**36,686**	43,801
Post employment benefits	*32*	**517**	321
Provisions	*25*	**7,022**	6,964
		1,302,892	1,225,135
Current liabilities			
Trade and other payables	*22*	**137,031**	121,246
Current income tax		**24**	237
Provisions	*25*	**1,981**	1,536
Derivative financial instruments	*23*	**167**	636
		139,203	123,655
Total liabilities		**1,442,095**	1,348,790
Total equity and liabilities		**811,862**	926,258

The notes on pages 28 to 74 form part of these financial statements.

The financial statements on pages 18 to 74 were approved by the Board of Directors on 26 June 2018 and were signed on its behalf by:

O Shafi Khan
Director

Company balance sheet
at 31 March 2018

	Note	**2018**	2017
		£'000	£'000
Assets			
Non-current assets			
Investments	*17*	**2**	-
Other receivables	*19*	**4,043**	3,610
		4,045	3,610
Current assets			
Other receivables	*19*	**23**	12
Cash and cash equivalents	*21*	**40**	40
		63	52
Total assets		**4,108**	3,662
Equity			
Share capital	*27*	**38**	30
Share premium	*28*	**1,974**	1,971
Brought forward retained earnings	*28*	**1,661**	1,274
Current year earnings	*14*	**433**	387
Total equity		**4,106**	3,662
Liabilities			
Current liabilities			
Other payables	*22*	**2**	-
Total equity and liabilities		**4,108**	3,662

The notes on pages 28 to 74 form part of these financial statements.

The financial statements on pages 18 to 74 were approved by the Board of Directors on 26 June 2018 and were signed on its behalf by:

O Shafi Khan
Director

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2016	30	1,971	(290,664)	(288,663)	89	(288,574)
Comprehensive (expense)/income for the year						
(Loss)/profit for the year	-	-	(133,710)	(133,710)	12	(133,698)
Other comprehensive expense						
Items that will not be reclassified to the income statement	-	-	(260)	(260)	-	(260)
Total comprehensive (expense)/income for the year	-	-	(133,970)	(133,970)	12	(133,958)
Balance at 31 March 2017	30	1,971	(424,634)	(422,633)	101	(422,532)
Comprehensive (expense)/income for the year						
(Loss)/profit for the year	-	-	(208,266)	(208,266)	21	(208,245)
Other comprehensive expense						
Items that will not be reclassified to the income statement	-	-	(138)	(138)	-	(138)
Total comprehensive (expense)/income for the year	-	-	(208,404)	(208,404)	21	(208,383)
Transactions with owners recognised directly in equity						
Value of employee services arising from shares granted to directors and employees (note 29)	-	-	808	808	-	808
Deferred tax in relation to the above	-	-	(137)	(137)	-	(137)
Issue of ordinary share capital	8	3	-	11	-	11
Total transactions with owners	8	3	671	682	-	682
Changes in ownership interests						
Minority interests acquired through business combinations	-	-	(11)	(11)	11	-
Balance at 31 March 2018	**38**	**1,974**	**(632,378)**	**(630,366)**	**133**	**(630,233)**

The notes on pages 28 to 74 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016	30	1,971	1,274	3,275
Comprehensive income for the year				
Profit and total comprehensive income for the year	-	-	387	387
Balance at 31 March 2017	30	1,971	1,661	3,662
Comprehensive income for the year				
Profit and total comprehensive income for the year	-	-	433	433
Transactions with owners recognised directly in equity				
Issue of ordinary share capital	8	3	-	11
Balance at 31 March 2018	**38**	**1,974**	**2,094**	**4,106**

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 28 to 74 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2018

	Note	**2018** **£'000**	2017 £'000
Cash flows from operating activities			
Cash generated from operations	*34*	**65,934**	72,936
Net cash inflow from operating activities		**65,934**	72,936
Cash flows from investing activities			
Acquisitions (net of cash acquired)		**(6,709)**	(9,924)
Contingent consideration paid		**(2,379)**	(1,577)
Unpaid contingent consideration returned to the group from escrow arrangements		**-**	1,044
Purchase of property, plant and equipment		**(19,101)**	(19,986)
Purchase of freehold property held for sale		**-**	(741)
Proceeds from business and asset disposals		**1,184**	1,024
Government grants received		**-**	2
Interest received		**16**	38
Net cash outflow from investing activities		**(26,989)**	(30,120)
Cash flows from financing activities			
Drawdown of bank loans		**15,000**	7,000
Repayment of bank loans		**(10,000)**	(46,000)
Proceeds from the issue of senior secured and second lien notes		**-**	549,700
Redemption of previous senior secured and second lien notes including early redemption fees		**-**	(506,188)
Arrangement fees and associated professional costs		**-**	(11,143)
Bank and bond interest paid		**(40,347)**	(38,534)
Net cash outflow from financing activities		**(35,347)**	(45,165)
Net increase/(decrease) in cash and cash equivalents		**3,598**	(2,349)
Cash and cash equivalents at the start of the year		**12,717**	15,066
Cash and cash equivalents at the end of the year		**16,315**	12,717

The notes on pages 28 to 74 form part of these financial statements.

Reconciliation of movement in net cashflow to movement in net debt
for the year ended 31 March 2018

	Note	**2018 £'000**	2017 £'000
Increase/(decrease) in cash for the year		**3,598**	(2,349)
Drawdown of bank loans		**(15,000)**	(7,000)
Repayment of bank loans		**10,000**	46,000
Issue of senior secured and second lien notes		**-**	(549,700)
Redemption of previous senior secured and second lien notes		**-**	500,000
Arrangement fees and associated professional costs		**-**	11,143
Total cash movement in net debt		**(1,402)**	(1,906)
Release of unamortised arrangement fees upon redemption of previous notes	*11*	**-**	(6,941)
Amortisation of debt issue costs and related fees	*11*	**(1,700)**	(2,025)
Other non-cash movements in net debt		**(775)**	225
Total non-cash movement in net debt excluding loan notes and preference shares		**(2,475)**	(8,741)
Movement in net debt excluding loan notes and preference shares		**(3,877)**	(10,647)
Net bank and bond debt at the start of the year		**(527,449)**	(516,802)
Net bank and bond debt at the end of the year	*31*	**(531,326)**	(527,449)
Total non-cash movement in net debt excluding loan notes and preference shares		**(2,475)**	(8,741)
Loan note interest accrued	*11*	**(70,477)**	(62,925)
Preference share dividends accrued	*11*	**(5,441)**	(4,857)
Total non-cash movement in net debt		**(78,393)**	(76,523)
Total movement in net debt		**(79,795)**	(78,429)
Net debt at the start of the year		**(1,160,095)**	(1,081,666)
Net debt at the end of the year		**(1,239,890)**	(1,160,095)

The notes on pages 28 to 74 form part of these financial statements.

Company cash flow statement

for the year ended 31 March 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit before income tax	**433**	387
Increase in finance income receivable	**(433)**	(387)
Net cash inflow from operating activities	**-**	-
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the start of the year	**40**	40
Cash and cash equivalents at the end of the year	**40**	40

The notes on pages 28 to 74 form part of these financial statements.

Notes to the consolidated financial statements

1 Company information

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

The company is the holding company of Turnstone Midco 1 Limited and its subsidiaries (collectively, the 'group'). The principal activity of the company during the year was to act as a holding company. The principal activities of the group 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 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The parent company and consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments including derivatives and contingent consideration. 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 day to day working capital requirements through cash generated from operations and its borrowing facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate within the level of its current facilities. At 31 March 2018, the group currently has £93.2 million of available headroom under its £100 million SSRCF, which is available until 2022, with no significant covenant restrictions over drawdown. The group's other principal borrowing facilities, which comprise £150 million of senior secured fixed rate notes, £275 million of senior secured floating rate notes, and £130 million second lien notes, are available until 2022 or 2023.

The group's loan notes and redeemable preference shares, along with all interest and dividends accrued thereon, are not repayable until the earlier of a sale of the business or 2021. Therefore, the group has no short term cash obligations in respect of these debt instruments.

Furthermore, the group remains cash generative at the operating level, with the reported operating loss and loss before tax arising principally from non-cash items, including the amortisation and impairment of goodwill and intangible assets, depreciation, and non-cash interest accrued on shareholder loan notes. The group's net current liability position is structural, as a result of the way in which the NHS pays the group in respect of the NHS dentistry contracts.

Further information on the group's available borrowing facilities and covenants can be found in notes 24 and 31 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.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

***(b) Basis of consolidation** (continued)*

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:

No new standards, amendments or interpretations that impact these financial statements have become effective during the year ended 31 March 2018.

Standards, amendments and interpretations which are not effective or early adopted by the group:

The following new standards, interpretations and amendments, which have not been applied in these financial statements, may have an effect on the group's future financial statements:

	EU endorsement status	**Effective date (periods beginning)**
IFRS 9 – Financial Instruments	Endorsed on 22 November 2016	1 January 2018
IFRS 15 – Revenue from Contracts With Customers	Endorsed on 22 September 2016	1 January 2018
IFRS 16 – Leases	Endorsed on 31 October 2017	1 January 2019

IFRS 9 – Financial Instruments

IFRS 9 will replace IAS 39 in its entirety, and will become effective for accounting periods commencing on or after 1 January 2018. The new standard will be applicable to the group for the year ending 31 March 2019 onwards and covers three principal areas:

- **Classification and measurement:** New classification and measurement criteria require financial instruments to be classified into one of the following three categories: amortised cost; fair value through other comprehensive income; or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments.
- **Expected credit losses (ECL):** The requirement to recognise impairment losses based on ECL methodology is a change to the current requirements whereby losses are only recognised once an impairment event has happened.
- **Hedge accounting:** The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

The group has carried out an assessment of the impact of IFRS 9 upon the group's existing accounting policies. This assessment has confirmed that there are likely to be no material adjustments resulting from the adoption of IFRS 9, although the group expects to report a small increase to the provision for impairment of trade receivables as a result of moving from the existing 'incurred credit loss' methodology to the ECL methodology.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(c) New standards, amendments and interpretations (continued)

IFRS 15 – Revenue from Contracts With Customers

IFRS 15 will become effective for accounting periods commencing on or after 1 January 2018 and will replace IAS 18 – Revenue, in addition to a number of other interpretations. The new standard, which will be applicable to the group for the year ending 31 March 2019 onwards, introduces a five-step approach to revenue recognition, based principally upon performance obligations contained within customer contracts.

The group is in the process of carrying out a detailed review of the impact of IFRS 15 upon each of the group's revenue streams. The preliminary findings from this review have confirmed that no material changes to the group's existing revenue recognition policies are likely. In particular, revenue derived from the group's NHS dentistry contracts will likely continue to be recognised based upon the volume of treatments completed and private dentistry revenues will likely continue to be recognised over time based upon the stage of completion of each treatment. 'Point in time' recognition is likely to continue to apply to revenue generated from the sale of goods by Dental Directory. The adoption of IFRS 15 is likely to require minor changes to the way the group recognises revenue from the sale of certain equipment servicing contracts by Dental Directory to more closely align the revenue recognition with achievement of the performance obligations. However, these revenue streams are likely to be immaterial in the context of the group's operations and are unlikely to lead to any material adjustments.

IFRS 16 – Leases

IFRS 16 will become effective for accounting periods commencing on or after 1 January 2019, and will be applicable to the group for the year ending 31 March 2020 onwards. IFRS 16 replaces IAS 17 and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or unless the underlying asset has a low value.

The impact of adopting IFRS 16 will be significant for the group, due to the number of short leasehold properties, principally in respect of the group's dental practice estate, and leased motor vehicles used by the group. IFRS 16 will require the group to recognise a substantial 'right of use' asset in respect of these leases, along with an equivalent lease liability. IFRS 16 will also impact the classification of lease related expenditure within the income statement. This will result in an increase to reported operating profit and a more substantial increase to EBITDA before non-underlying items, as lease related costs which are currently charged within administrative expenses will, under IFRS 16, be split between amortisation and finance costs. The presentation of lease related cashflows within the cash flow statement will also change. Presently, payments under operating leases are included within cash generated from operations. Under IFRS 16, these payments will be presented as cashflows from financing activities, representing repayments of debt.

The group expects to apply the 'cumulative catch up' approach, which is available as a practical expedient upon initial adoption of IFRS 16. Under the cumulative catch up approach, the cumulative effect of adopting the standard is recognised at the date of initial application which, for the group will be 1 April 2019, and there is no restatement of comparative information.

The group is currently undertaking a detailed assessment to both quantify the adjustments arising from the adoption of IFRS 16 upon its financial statements and to determine the changes to existing systems and processes that will be required. As part of this assessment, the group is investigating system solutions that can capture the relevant data and assist with the computation of the accounting entries. This assessment is not yet complete and therefore the adjustments that will be required to the financial statements have not been finalised. However it should be noted that the group's total outstanding operating lease commitments at 31 March 2018 were £122.1 million on an undiscounted basis (note 30) and the charge arising from operating leases that was recognised within administrative expenses in the income statement for the year ended 31 March 2018 was £15.9 million (note 16).

No other new standards, interpretations and amendments, which have not been adopted early, are expected to have a material effect on the group's future 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 gains. See note 2(q).

(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 at least annually. 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 (see note 3 for further details).

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 ('UDA's') 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 CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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 each accounting reference date.

(i) Inventories

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

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

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

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

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(j) 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 provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables and is measured as the difference between carrying value and present value of estimated future cash flows. 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) Assets classified as held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, a sale is considered highly probable and the assets are available for immediate sale in their present condition. They are stated at the lower of carrying amount and fair value less costs to dispose.

Assets held for sale at 31 March 2018 include a small number of dental practices that are currently being marketed for sale, having been identified for disposal through the portfolio review programme. Assets held for sale at 31 March 2017 include freehold properties that the group has acquired as part of the acquisition of dental practices. The group only acquires these properties where necessary to facilitate the acquisition of dental practices and looks to dispose of these properties as soon as an appropriate lease and sale price can be negotiated.

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) 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.

(o) 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 draw-down occurs and are subsequently amortised through the income statement over the term of the facility.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as a finance cost.

(p) 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)*

(q) Derivative financial instruments

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

The group has previously used derivative financial instruments (interest rate swaps) to hedge a proportion of its exposure to floating interest rate fluctuations, however these contracts expired in June 2017 and have not been renewed. 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.

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 31 for further details.

(r) 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.

(s) 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 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 delivered are held on the balance sheet within deferred income. 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 Dental Directory 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.

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.

(t) Leases

The costs associated with operating leases are charged to the income statement on an accruals basis over the period of the lease. The benefit of any lease incentives is recognised in the income statement evenly over the period of the lease up to the lease expiry date.

(u) Net finance costs

Finance costs
Finance costs comprise interest payable on borrowings, associated transaction costs and dividends on redeemable preference shares. Finance costs are charged to the income statement on an accruals basis using the effective interest rate method.

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.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(v) 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.

(w) 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.

(x) 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 and the group currently makes no contributions in respect of current or past service. However, the group 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.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(y) Share based payments

As set out in more detail in note 29, certain employees of the group have been, or will be, 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.

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

Impairment of goodwill and other intangibles
Determining whether goodwill or other intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and other intangible assets have been allocated. The value in use calculation requires the group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Management have conducted impairment reviews during the period and at the reporting date, which have resulted in impairment charges totalling £66.3 million (2017: £30.0 million) being recognised within non-underlying items in the income statement for the year ended 31 March 2018. More details, including carrying values and the outcomes of the reviews conducted are included in note 15.

Income tax
The current income tax provision directly relates to the actual tax payable on the group's profits. Assumptions and judgements are made in applying tax laws to the taxable profits in any given period in order to calculate the tax charge for that year, including any deferred income tax element. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, or where deferred tax estimates are revised, the difference will be charged or credited to the income statement in the period in which it is determined. See also note 13.

Notes to the consolidated financial statements *(continued)*

3 Critical accounting judgements and estimates *(continued)*

(b) Critical estimates

Valuation of intangibles acquired in business combinations
Determining the fair value of contractual arrangements and customer relationships acquired in business combinations requires estimation of the value of the cash flows related to those arrangements or relationships and a suitable discount rate in order to calculate the present value.

Determining the fair value of brands or trademarks acquired in business combinations requires estimation of the discounted royalty payments that would have to be paid to acquire the brand or trademark if it had not been acquired as part of a business combination. More details, including carrying values, are included in note 15.

Useful economic lives of intangible assets
Intangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. Useful lives are periodically reviewed for their continued appropriateness. Changes to estimates can result in changes in the carrying values and hence change the amounts charged to the income statement in particular periods which could be significant. More details, including carrying values, are included in note 15.

Application of tax laws
The group is subject to complex tax laws. Changes in tax laws 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. In certain instances we have secured clearance from HMRC on the application to 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. This includes providing additional information to HMRC to support our current tax positions. There cannot be certainty that HMRC will always be in agreement with our interpretation and application of these laws. 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. However the likelihood of any such challenge being successful is considered by management as remote and accordingly these accounts do not include any provision in relation to our ongoing tax discussions in these areas.

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 mydentist and Dental Directory.

Through mydentist, the group is the leading provider of dental services in the United Kingdom. mydentist owns and manages a national chain of dental practices with 643 sites at 31 March 2018 (2017: 674).

Dental Directory, which principally comprises Billericay Dental Supply Co. Limited, along with a number of smaller businesses, provides a range of products and services to the dental and wider healthcare sectors, including to mydentist. Sales to mydentist are carried out on an arms length basis.

All services are provided in the United Kingdom.

Revenue is analysed by category as follows:

	2018	2017
	£'000	£'000
Provision of services	**477,783**	493,095
Sale of goods	**102,707**	92,728
Total revenue	**580,490**	585,823

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

Year ended 31 March 2018

	mydentist £'000	Dental Directory £'000	Central costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	368,498	-	-	**368,498**
Private dentistry	99,866	-	-	**99,866**
Dental Directory	-	142,909	(30,783)	**112,126**
Total revenue	468,364	142,909	(30,783)	**580,490**
Gross profit	220,372	40,612	(8,266)	**252,718**
Gross margin	*47.1%*	*28.4%*		***43.5%***
Overheads	(173,704)	(33,828)	7,919	**(199,613)**
Overheads as % revenue	*37.1%*	*23.7%*		***34.4%***
Other income	2,010	-	-	**2,010**
EBITDA before non-underlying items	48,678	6,784	(347)	**55,115**
EBITDA margin	*10.4%*	*4.7%*		***9.5%***
Amortisation of intangible assets	(28,659)	(3,420)	-	**(32,079)**
Depreciation	(19,659)	(2,364)	278	**(21,745)**
Amortisation of government grant income	55	-	-	**55**
Impairment of goodwill and intangible assets	(65,460)	(816)	-	**(66,276)**
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(29,754)	-	-	**(29,754)**
Differences between contingent consideration paid and estimates initially recognised	(2,889)	-	-	**(2,889)**
Value of employee services arising from shares granted	-	-	(808)	**(808)**
Other non-underlying items	(1,412)	(1,042)	-	**(2,454)**
Unrealised gains on derivative financial instruments	-	75	-	**75**
Segment operating loss	(99,100)	(783)	(877)	**(100,760)**
Net finance costs				**(118,920)**
Loss before income tax				**(219,680)**
Segment assets	701,160	113,572	(2,870)	**811,862**
Segment liabilities	(161,870)	(117,286)	(1,162,939)	**(1,442,095)**
Additions				
Goodwill	1,082	3,522	-	**4,604**
Other intangible assets	817	1,994	-	**2,811**
Property, plant and equipment	17,668	1,737	(637)	**18,768**

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

Year ended 31 March 2017

	mydentist £'000	Dental Directory £'000	Central costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	385,060	-	-	**385,060**
Private dentistry	95,827	-	-	**95,827**
Dental Directory	-	134,980	(30,044)	**104,936**
Total revenue	480,887	134,980	(30,044)	**585,823**
Gross profit	225,098	40,182	(4,278)	**261,002**
Gross margin	*46.8%*	*29.8%*		***44.6%***
Overheads	(166,895)	(30,667)	3,404	**(194,158)**
Overheads as % revenue	*34.7%*	*22.7%*		***33.1%***
Other income	1,965	-	-	**1,965**
EBITDA before non-underlying items	60,168	9,515	(874)	**68,809**
EBITDA margin	*12.5%*	*7.0%*		***11.7%***
Amortisation of intangible assets	(29,452)	(3,332)	-	**(32,784)**
Depreciation	(18,918)	(2,002)	218	**(20,702)**
Amortisation of government grant income	60	-	-	**60**
Impairment of goodwill and intangible assets	(30,000)	-	-	**(30,000)**
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(1,667)	-	-	**(1,667)**
Differences between contingent consideration paid and estimates initially recognised	2,152	-	-	**2,152**
Other non-underlying items	(7,966)	(856)	-	**(8,822)**
Unrealised gains on derivative financial instruments	-	261	-	**261**
Segment operating (loss)/profit	(25,623)	3,586	(656)	**(22,693)**
Net finance costs				**(122,234)**
Loss before income tax				**(144,927)**
Segment assets	818,580	110,632	(2,954)	**926,258**
Segment liabilities	(153,499)	(109,056)	(1,086,235)	**(1,348,790)**
Additions				
Goodwill	5,734	135	-	**5,869**
Other intangible assets	6,233	-	-	**6,233**
Property, plant and equipment	19,013	2,166	(849)	**20,330**

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 2018 £'000	Group 2017 £'000
Restructuring costs	**2,518**	5,910
Rebranding costs	**-**	2,475
Acquisition related professional fees and expenses	**318**	665
Release of unutilised fair value provisions arising from business combinations	**(422)**	-
Loss/(profit) on disposal of freehold properties	**1**	(241)
Loss/(profit) on disposal of property, plant and equipment	**18**	(7)
Expenses in respect of defined benefit pension scheme (note 32)	**21**	20
Other non-underlying items	**2,454**	8,822
Differences between contingent consideration paid and estimates initially recognised	**2,889**	(2,152)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	**29,754**	1,667

Restructuring costs
Costs incurred during the year ended 31 March 2018 and the year ended 31 March 2017 principally relate to senior management changes, and other staff and business restructuring, including related professional fees.

Rebranding
Costs recognised during the year ended 31 March 2017 reflect the cost of rolling out the mydentist brand and includes expenditure on signage, decoration and uniforms.

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

Release of unutilised fair value provisions arising from business combinations
During the year ended 31 March 2018, the group released unutilised fair value provisions with a value of £422,000 that arose from business combinations completed in previous years.

Profit on disposal of freehold properties
During the year ended 31 March 2017 the group disposed of its freehold interest in four dental practices under sale and lease-back arrangements. The loss of £1,000 for the year ended 31 March 2018 relates to fees associated with a property sold in the previous year.

Loss/(profit) on disposal of property, plant and equipment
The loss on disposal of property, plant and equipment arose from the write off of old or scrapped assets. The profit for the year ended 31 March 2017 arose from the sale of motor vehicles and certain other IT assets at amounts in excess of their carrying values.

Differences between contingent consideration paid and estimates initially recognised
During the years ended 31 March 2018 and 31 March 2017, 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 £2,889,000 was charged (2017: £2,152,000 released) to the income statement.

Notes to the consolidated financial statements *(continued)*

5 Other non-underlying items *(continued)*

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

Starting in the latter part of the year ended 31 March 2017 and continuing through the year ended 31 March 2018, management have conducted a thorough review of the group's portfolio of dental practices to identify those which are no longer viable due to structural issues such as, for example, very low UDA contract values or where geographical isolation has made it difficult to recruit dentists. As a result of this review, decisions were taken to close or sell 49 dental practices. By 31 March 2018, the group had sold 13 practices and closed 19 practices, including two which were closed at the end of the year ended 31 March 2017. The remaining 17 practices are expected to be closed or sold by 30 September 2018.

The charge of £29,754,000 for the year ended 31 March 2018 (2017: £1,667,000) includes realised gains and losses, including closure costs, associated with the 13 practices sold (2017: none), and the 17 practices closed (2017: two), during the year. In addition the amount also includes impairments recorded in writing down the carrying value of goodwill, intangible, tangible and other assets of practices which have been identified for sale at the year end, and therefore reclassified as assets held for sale, to their recoverable amounts.

6 Auditor's remuneration

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

	2018	2017
	£'000	£'000
Audit services		
Audit of the parent company and the consolidated financial statements*	**58**	45
Audit of the company's subsidiaries	**298**	237
	356	282
Other services		
Tax advisory services	**90**	111
Other advisory services	**244**	272
Total remuneration payable to PricewaterhouseCoopers LLP	**690**	665

** The audit fees in respect of the consolidated and parent company financial statements for the years ended 31 March 2018 and 31 March 2017 have been borne by a subsidiary company.*

Fees for other advisory services during the year ended 31 March 2018 relate to a review of the group's strategy. During the year ended 31 March 2017, other advisory services relate to work conducted as part of the group's re-financing and the review of strategic options.

Notes to the consolidated financial statements *(continued)*

7 Employees

The company has no employees (2017: None).

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

	Group 2018 No of employees	Group 2017 No of employees
Business unit		
mydentist - surgery staff	**4,193**	4,294
mydentist - administration staff	**2,907**	2,684
Dental Directory	**556**	543
	7,656	7,521

The staff costs of these persons were as follows:

	Group 2018 £'000	Group 2017 £'000
Wages and salaries	**132,580**	118,678
Social security costs	**9,086**	8,211
Other pension costs	**879**	836
	142,545	127,725

8 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2017: £nil).

	Group 2018 £'000	Group 2017 £'000
Aggregate emoluments including benefits	**1,003**	3,284

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 £515,000 (2017: £2,894,000), which included compensation for loss of office of £nil (2017: £2,415,000) and benefits in kind of £5,000 (2017: £7,000).

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 gains

	Group 2018 £'000	Group 2017 £'000
Unrealised losses at fair value through profit or loss on foreign exchange forward contracts	**(42)**	(823)
Realised foreign exchange gains	**106**	1,044
Unrealised gains at fair value through profit or loss on option contracts	**11**	40
	75	261

Notes to the consolidated financial statements *(continued)*

11 Finance costs

	Group 2018 £'000	Group 2017 £'000
Recurring finance costs		
Senior secured fixed rate notes	**17,188**	15,867
Senior secured floating rate notes	**9,714**	10,446
Second lien notes	**12,350**	10,506
Bank loans and overdrafts	**117**	644
Fixed rate interest swap charges	**332**	1,811
Amortisation of debt issue costs and related fees	**1,700**	2,025
Loan note interest	**70,477**	62,925
Preference share dividends	**5,441**	4,857
Other interest payable – unwinding of discount (notes 25, 31)	**250**	373
Syndicate charges	**1,297**	1,241
Finance expense in respect of defined benefit pension scheme (note 32)	**9**	-
Total recurring finance costs	**118,875**	110,695
Non-recurring finance costs		
Charge arising from change in discount rate applied to non-current liabilities (notes 25, 31)	**554**	-
Release of unamortised arrangement fees upon redemption of borrowings	**-**	6,941
Fees payable in respect of the early redemption of senior secured fixed rate notes and second lien notes	**-**	6,188
Total non-recurring finance costs	**554**	13,129
	119,429	123,824

12 Finance income

	Group 2018 £'000	Group 2017 £'000
Bank deposit interest	**16**	38
Finance income in respect of defined benefit pension scheme (note 32)	**-**	12
Change in the fair value of interest rate swap classified at fair value through profit or loss	**493**	1,540
	509	1,590

Notes to the consolidated financial statements *(continued)*

13 Income tax credit

	Group 2018 £'000	Group 2017 £'000
Current income tax		
Adjustments in respect of previous years	**4**	84
Deferred income tax		
Origin and reversal of temporary differences	**(10,913)**	(7,831)
Adjustments in respect of previous years	**(526)**	(1,256)
Effect of change in income tax rate	**-**	(2,226)
Total deferred income tax (note 26)	**(11,439)**	(11,313)
Total income tax credit	**(11,435)**	(11,229)

The income tax charge for the financial year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	Group 2018 £'000	Group 2017 £'000
Loss before income tax	**(219,680)**	(144,927)
Loss before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**(41,739)**	(28,985)
Effects of:		
Expenses not deductible for tax	**30,284**	20,486
Utilisation of losses not previously recognised	**-**	(50)
Effect of rate changes on opening balances	**-**	(2,226)
Adjustments in respect of previous years	**(522)**	(1,173)
Unrelieved losses carried forwards	**542**	719
Total income tax credit for the year	**(11,435)**	(11,229)

The permanent differences principally arise from an element of finance costs relating to the loan notes and preference shares and the impairment of goodwill which are not tax deductible.

The main rate of corporation tax reduced from 20% to 19% with effect from 1 April 2017. A further reduction in the main rate of corporation tax to 17% from 1 April 2020 was substantively enacted on 15 September 2016 and both the deferred tax asset and liability have been measured accordingly.

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.

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 £433,000 (2017: £387,000) arises from interest on loans to group undertakings.

Notes to the consolidated financial statements *(continued)*

15 Intangible assets

Group

	Goodwill £'000	Contractual arrangements £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2016	339,020	485,046	68,269	25,073	917,408
Acquired through business combinations	6,712	6,012	221	-	12,945
Re-measurement of provisional amounts from prior year business combinations	(843)	-	-	-	(843)
Impairment charge	(26,935)	(3,065)	-	-	(30,000)
Disposals	(290)	(1,092)	(120)	-	(1,502)
At 31 March 2017	317,664	486,901	68,370	25,073	898,008
Accumulated amortisation					
At 1 April 2016	-	100,495	21,064	3,468	125,027
Charge for the year	-	24,436	6,676	1,672	32,784
Disposals	-	(268)	(42)	-	(310)
At 31 March 2017	-	124,663	27,698	5,140	157,501
Net book value					
At 31 March 2017	317,664	362,238	40,672	19,933	740,507

	Goodwill £'000	Contractual arrangements £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2017	317,664	486,901	68,370	25,073	898,008
Acquired through business combinations (note 35)	4,705	803	1,316	692	7,516
Re-measurement of provisional amounts from prior year business combinations	(101)	-	-	-	(101)
Impairment charge	(60,103)	(5,260)	(633)	(280)	(66,276)
Disposals	(6,123)	(7,606)	(286)	-	(14,015)
Transfer to assets held for sale	(8,133)	(11,584)	(1,788)	-	(21,505)
At 31 March 2018	**247,909**	**463,254**	**66,979**	**25,485**	**803,627**
Accumulated amortisation					
At 1 April 2017	-	124,663	27,698	5,140	157,501
Charge for the year	-	23,789	6,592	1,698	32,079
Disposals	-	(2,153)	(172)	-	(2,325)
Transfer to assets held for sale	-	(3,397)	(861)	-	(4,258)
At 31 March 2018	**-**	**142,902**	**33,257**	**6,838**	**182,997**
Net book value					
At 31 March 2018	**247,909**	**320,352**	**33,722**	**18,647**	**620,630**

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 2018 was 13.3 years (2017: 14.3 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 concluded that the group's two CGUs are mydentist and Dental Directory. An analysis of the net book value of goodwill by CGU is shown below:

Net book value of goodwill by CGU	**Group 2018 £'000**	Group 2017 £'000
mydentist	**212,808**	286,183
Dental Directory	**35,101**	31,481
	247,909	317,664

Annual impairment review

The annual impairment review for goodwill is based on an assessment of each CGU's value in use. Value in use is calculated from cash flow projections, 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.

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 (which are kept under constant review by management) made during the impairment review include the level of revenue contracted with the NHS and the associated UDA contract delivery percentage, anticipated growth in private revenues and revenues from Dental Directory and the associated cost of materials and dentist fees. These assumptions have been set by reference to historical trends. 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 2018 %**	Group 2017 %
Long term growth rate		
mydentist	**1.50**	1.50
Dental Directory	**1.50**	1.50
Discount rate		
mydentist	**9.72**	9.54
Dental Directory	**11.27**	11.23

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. In light of recent UDA delivery performance, management conducted an additional impairment review at 30 September 2017. This identified an impairment totalling £60.2 million to the carrying value of goodwill within the mydentist CGU. Management have then conducted a further impairment review at 31 March 2018 which has not identified any additional impairment to the carrying value of the goodwill in either the mydentist or Dental Directory CGUs. An equivalent impairment of £26.9 million against the carrying value of goodwill in the mydentist CGU was recognised during the year ended 31 March 2017.

The impairment review performed at 31 March 2018 was based upon management's budgeted UDA delivery percentage for the year ended 31 March 2019 and management's current medium term plan which shows the UDA delivery percentage recovering to the group's long term average of approximately 96%. For the year ended 31 March 2018, the UDA delivery percentage, before handbacks, was 82.7%.

As part of the impairment review, management have considered the impact upon the value in use calculations from a range of sensitivities to the key assumptions. As at 31 March 2018, a change of £2.0 million in the assumed long term average annual pre-tax cashflows generated from the mydentist CGU, which equates to a change of approximately 1% in the assumed UDA delivery percentage, would change the calculated value in use by approximately £17 million. A change of 0.25% in the assumed WACC would change the calculated value in use by approximately £24 million.

The review did not identify any impairment to the carrying value of assets within the Dental Directory CGU. As at 31 March 2018, a change of £0.5 million to the assumed annual pre-tax cashflows generated from the Dental Directory CGU would change the calculated value in use by approximately £3 million. A change of 0.25% in the assumed WACC would also change the calculated value in use by approximately £3 million.

During the year ended 31 March 2018, 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 £5.3 million being recorded in the income statement for the year ended 31 March 2018 (2017: £3.1 million).

A further impairment of £0.8 million has also been recognised against the carrying value of certain intangible assets and goodwill within the Dental Directory CGU, specifically in relation to our acquisition of PDS Dental Laboratory Leeds Limited, following the loss of a contract significant to that business during the year.

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 (2017: none).

Notes to the consolidated financial statements *(continued)*

16 Property, plant and equipment

Group

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2016	167,838
Acquired through business combinations	315
Re-measurement of provisional amounts from prior year business combinations	477
Additions	19,538
Transfer from assets held for sale	175
Disposals	(470)
At 31 March 2017	187,873
Accumulated depreciation	
At 1 April 2016	68,486
Charge for the year	20,702
Disposals	(111)
At 31 March 2017	89,077
Net book value	
At 31 March 2017	98,796

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2017	187,873
Acquired through business combinations (note 35)	190
Re-measurement of provisional amounts from prior year business combinations	(18)
Additions	18,596
Transfer from assets held for sale	265
Disposals	(2,588)
Transfer to assets held for sale	(4,997)
At 31 March 2018	**199,321**
Accumulated depreciation	
At 1 April 2017	89,077
Charge for the year	21,745
Disposals	(1,212)
Transfer to assets held for sale	(2,722)
At 31 March 2018	**106,888**
Net book value	
At 31 March 2018	**92,433**

Notes to the consolidated financial statements *(continued)*

16 Property, plant and equipment *(continued)*

As at 31 March 2018, no assets are held under finance leases or hire purchase contracts (2017: none).

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.

Operating lease charges of £14,529,000 (2017: £14,614,000) and £1,367,000 (2017: £1,305,000) relating to the lease of property, and vehicles, plant and equipment respectively, have been recognised within administrative expenses in the income statement.

Company

The company does not own any property, plant and equipment (2017: none).

17 Investments

Company

	£'000
Investment at cost in subsidiary undertaking	
At 1 April 2017	-
Acquisition of 229,330 'E' ordinary shares in Turnstone Midco 1 Limited	2
At 31 March 2018	**2**

The company owns 100% of its immediate subsidiary, Turnstone Midco 1 Limited. On 12 June 2017, the company acquired 229,330 'E' ordinary shares in Turnstone Midco 1 Limited at their par value of £0.01 per share for a total consideration of £2,293. Following that transaction, the cost and book value of its investment in that entity at 31 March 2018 is £2,294 (2017: £1).

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

The group holds 100% of the ordinary share capital of all of the companies listed, with the exception of Denture Excellence Limited and Denture Excellence (Franchising) Limited in which the group holds a 90% interest in the ordinary share capital (2017: 90%). During the year, the group acquired the remaining 10% interest in the ordinary share capital of PDS Dental Laboratory (Leeds) Limited for consideration of £1,000 to take its ownership in that company and its subsidiary, A-List Dentistry Limited, to 100%. 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 2018 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.

Name of subsidiary	Principal activity	Country of incorporation
Turnstone Midco 1 Limited	Non-trading	England [a]
Turnstone Midco 2 Limited	Non-trading	England [a]
Turnstone Bidco 1 Limited	Non-trading	England [a]
IDH Finance Plc	Group financing	England [a]
[2]@TheDentist Ltd	Dormant	England [a]
1A Dental Practice Limited	Dental practices	England [a]
[1]A-List Dentistry Limited	Dental practices	England [a]
[1]Adelstone Dental Care Limited	Dental practices	England [a]
[1]ADP Ashford Ltd	Dental practices	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]

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
[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 Number 1) 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]
[1,5]BF Mulholland Limited	Healthcare goods and services	Northern Ireland [c]
[3,5]BF Mulholland Ire Limited	Dormant	Ireland [f]
Billericay Dental Supply Co. Limited	Healthcare goods and services	England [a]
[2]Bramora Limited	Dormant	England [a]
[2]Butler and Finnigan Dental Practice Ltd	Dormant	England [a]
[1]Castle Hill Dental Practice Limited	Dental practices	England [a]
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]
DBG (UK) Limited	Healthcare goods and services	England [a]
DBG Acquisitions Limited	Non-trading	England [a]
[2]DBG Subsidiary Limited	Dormant	England [a]
DBG Topco Limited	Non-trading	England [a]
[1]Dental Aesthetics Limited	Dental practices	Northern Ireland [c]
[1]Dental Excellence Group Limited	Non-trading	Northern Ireland [c]
[1]Dental Excellence Limited	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]
Denture Excellence Limited	Dental practices	England [a]
[2]Denture Excellence (Franchising) Limited	Dormant	England [a]
[1]DH Dental Holdings Limited	Non-trading	England [a]
[1]Diverse Acquisitions Limited	Non-trading	England [a]
[1]Diverse Holdings Limited	Non-trading	England [a]
[2]Diverse Property Investments Limited	Dormant	England [a]
[1]DM and LJ Jordan Limited	Dental practices	England [a]
[1]DM Jordan Limited	Dental practices	England [a]
DMJ Norwich Limited	Dental practices	England [a]
[1]Dolby Medical Limited	Equipment servicing	Scotland [b]
[1]Dolby Medical EBT Trustee Limited	Non-trading	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]
[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 [a]
[2]Hayle Dental Practice Limited	Dormant	England [a]
Healthcare Buying Group Limited	Non-trading	England [a]
[1]Hessle Grange Dental Care Limited	Dental practices	England [a]
[1]Hillcrest Ionian Limited	Dental practices	England [a]

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
[1]Hirst and O'Donnell Ltd	Dental practices	England [a]
HM Logistics Limited	Healthcare goods and services	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 Ltd	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 Limited	Distributor of facial aesthetics products	England [a]
[1]Mi-Tec Limited	Equipment repair	England [a]
[1]Mintek UK Limited	Healthcare goods and services	England [a]
[1]Murgelas Practice Management Limited	Dental practices	England [a]
[2]My Dental Holdings Limited	Non-trading	England [a]
[2]MyDentist Limited	Dormant	England [a]
[1]Natural Management Ltd	Non-trading	England [a]
[1]NS Dental Limited	Dental practices	Scotland [b]
[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]PDS Dental Laboratory Leeds Limited	Dental laboratory	England [a]
[1]Pearl Bidco Limited	Non-trading	England [a]
[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 Practice Limited	Dental practices	England [a]
[1]Phoenix Dental Limited	Dental practices	England [a]
[1]Pierce & Geddes Limited	Dental practices	England [a]
[1]PJ Burridge Ltd	Dental practices	England [a]
[1]Premier Dental Limited	Dental practices	England [a]
[1]Priory House Dental Care Limited	Dental practices	England [a]
Q Dental Care Limited	Dental practices	England [a]
[2]Q Dental Surgeries Limited	Dormant	England [a]
[1]Queensferry Dental Surgery Limited	Dental practices	England [a]
[1]Richmond House Practice Limited	Dental practices	England [a]

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
Richard Flanagan & Associates 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]Salcombe Dental Practice 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 Limited	Dental practices	Northern Ireland [c]
[1]TAG Medical Limited	Medical equipment and testing	England [a]
[1]The Bristol Endodontic Clinic Limited	Dental practices	England [a]
The Crescent Specialist Dental Centre Ltd	Dental practices	England [a]
The Dental Directory Limited	Non-trading	England [a]
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 Limited	Dental practices	England [a]
[1]Tully Crine Limited	Dental practices	England [a]
[1]Unnati Limited	Dental practices	England [a]
[2]Unodent Limited	Dormant	England [a]
[2]Viren Patel and Associates Limited	Dormant	England [a]
[1]Westhoughton (No 1) Limited	Dental practices	England [a]
[1]Westpark Dental Practice Limited	Dental practices	England [a]
[1]White Dental Care Limited	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*

[5] *Company acquired during the year ended 31 March 2018*

[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*

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	Name of partnership
1A Dental Practice Partnership	Red Rose Dental Group
1A Group Dental Practice Partnership	Rhos Road Dental Practice Partnership
Abercromby Health Centre Partnership	Rhyl and Abergele Elwy Dental Partnership
Ardent Dental Care Practice Partnership	Ripponden Road Dental Practice Partnership
Armley Dental Practice Partnership	Risley Hill Dental Centre Partnership
Aspire Dental Practice Partnership	River Wye Dental Practice Partnership
Avante Dental Care Practice Partnership	Roe Lane Family Dental Practice Partnership

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of partnership

Avondale Dental Practice Partnership
Bank House Dental Practice
Barber Road Dental Practice Partnership
Berwick Dental Practice Partnership
Bolton and Bury Dental Practice Partnership
Brassey Avenue Dental Practice Partnership
Brighton Hill Dental Practice Partnership
Brinsworth Lane Dental Care Partnership
Brixton Hill Dental Practice Partnership
Broadwalk Dental Centre Partnership
Caldy Road Dental Practice Partnership
Carcroft Dental Practice Partnership
Castle View House Dental Practice Partnership
Castlegate Dental Practice Partnership
Central Dental Practice Partnership
Chantry Dental Practice Partnership
Chequer Hall Dental Practice Partnership
Cherry Orchard Dental Practice Partnership
Colne & Earby Dental Practice Partnership
Cottage Dental Practice Partnership
Crown Dental Practice Partnership
Dalton Dental Surgery Partnership
Dividy Road Dental Practice Partnership
Effingham Square Dental Practice Partnership
Fearnhead Dental Surgery Partnership
Feidr Fair Partnership Dental Practice
Filey Dental Care Centre Partnership
Finchley Dental Care Practice Partnership
Florence House Dental Practice Partnership
Front Street Dental Practice Partnership
Gairloch House Dental Practice Partnership
Green Lane Dental Practice Partnership
Hampton Court Dental Centre Partnership
Harbour Dental Practice Partnership
Hartlepool Dental Practice Partnership
Haslingden Dental Surgery Partnership
Hayle Dental Practice Partnership
Heaton Road and Blakelaw Dental Practice Partnership
Henfield Dental Practice Partnership
High Street Dental Practice Partnership
Hollinwood Dental Practice Partnership
Horncastle Dental Practice Partnership
Ingleby Meadow 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
Lyme Dental Surgery Partnership
Mayo Dental Clinic Partnership
Mill Dental Practice Partnership
Mostyn House Dental Practice Partnership
Mount Folly Square Dental Practice Partnership
Narborough Road South Dental Practice Partnership
Newcastle and Wallsend Dental Practice Partnership

Name of partnership

Saint Andrews Dental Practice Partnership
Severn Street Dental Practice Partnership
Severnside Dental Practice Partnership
Shaw Family Dental Practice Partnership
Shelldrake Drive Dental Practice Partnership
SK Dental Staines Road Dental Practice Partnership
Sneyd Green Dental Practice Partnership
South England Dental Practice Partnership
Spittal Hill Dental Surgery Practice Partnership
Picton Road Dental Practice Partnership
Stanhope Road Dental Practice Partnership
Stanford Road Dental Practice Partnership
The Bell Lane Practice Partnership
The Birley Moor Dental Practice Partnership
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 Cornhill Dental Practice Partnership
The Cowpen and Waterloo 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 Fern Dental Practice Partnership
The Grainger Stockton, Birtley and Stanley Dental Practice Partnership
The Gull Coppice Dental Practice Partnership
The Haverflatts Lane Dental Practice Partnership
The Helston Dental Practice Partnership
The Kandy Lodge Dental Practice Partnership
The Kenton Park Dental Practice Partnership
The Killingworth Dental Practice Partnership
The Kings Norton Dental Practice Partnership
The Lacey Dental Practice Partnership
The Llangefni 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 Nelson Street Dental Practice Partnership
The Newland Avenue and Castle Street 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 Southwick and Whitburn Dental Practice Partnership
The Trewergie Dental Practice Partnership
The Victoria Road Dental Practice Partnership
The Warner Street Dental Practice Partnership
The White House Dental Practice Partnership
The Yeading Lane Dental Practice Partnership
Thomas Street Dental Practice Partnership
Tower Gardens Dental Practice Partnership
Trinity Terrace Dental Practice Partnership

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of partnership	Name of partnership
North Marine Road Dental Practice Partnership	VI Dental Centre Partnership
Northgate Dental Health Practice Partnership	West Lodge Dental Practice Partnership
Old Brewary Yard Dental Practice Partnership	Westbury Park Dental Practice Partnership
Old Mill Lane Dental Practice Partnership	Weymouth and the Bridges Dental Practice Partnership
Olivers Dental Studio Partnership	Whiston Village Dental Practice Partnership
Ormesby Dental Practice Partnership	William Shardlow Dental Practice Partnership
Railway Road Dental Practice Partnership	Woodview Dental Health Practice Partnership

** Denotes partnership acquired during the year ended 31 March 2018*

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

Group

The group does not own any investments (2017: none).

18 Inventories

	Group 2018 £'000	Group 2017 £'000
Dental practice consumables	**5,075**	5,539
Goods for resale	**16,195**	14,170
	21,270	19,709

Inventories are shown net of provisions of £2,367,000 at 31 March 2018 in respect of obsolete or slow moving items (2017: £2,120,000).

The cost of inventories recognised as an expense within cost of sales during the year amounted to £99.5 million (2017: £91.4 million).

The amount recognised within cost of sales during the year in respect of the change in the value of inventories of dental practice consumables and goods for resale was a credit of £1,176,000 (2017: charge of £999,000).

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

Company

The company has no inventories (2017: £nil).

Notes to the consolidated financial statements *(continued)*

19 Trade and other receivables

	Group 2018 £'000	**Company 2018 £'000**	Group 2017 £'000	Company 2017 £'000
Current				
Trade receivables	**19,630**	**-**	19,358	-
Amounts owed by group undertakings	**-**	**12**	-	12
Amounts owed by related undertakings	**305**	**11**	283	-
Other assets	**1,537**	**-**	1,847	-
Prepayments	**8,308**	**-**	7,937	-
Accrued income	**11,497**	**-**	12,079	-
	41,277	**23**	41,504	12
Non-current				
Amounts owed by group undertakings	**-**	**4,043**	-	3,610
Other assets	**-**	**-**	-	-
	-	**4,043**	-	3,610

Amounts owed by group undertakings included within non-current assets are in relation to loan notes issued by Turnstone Midco 1 Limited, the company's immediate subsidiary. The amounts are unsecured and are subject to an interest charge of 12% per annum. The amount receivable at 31 March 2018 includes accrued interest of £2,193,000 (2017: £1,760,000).

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

Amounts owed by related undertakings comprise expenses paid on behalf of Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited on behalf of group management, along with amounts due from the Employee Benefit Trust, which also holds investments in Turnstone Equityco 1 Limited on behalf of employees.

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 2018 £'000	Group 2017 £'000
Sterling	**40,523**	41,436
Euro	**754**	68
	41,277	41,504

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

Notes to the consolidated financial statements *(continued)*

19 Trade and other receivables *(continued)*

As at 31 March 2018, trade receivables of £1,316,000 were past due and partially impaired (2017: £992,000). A provision for impairment is established based on historical experience. The individually impaired receivables principally relate to businesses within Dental Directory. The ageing of these receivables is as follows:

	Group 2018 £'000	Group 2017 £'000
One month to six months overdue	**825**	39
Over six months overdue	**491**	953
	1,316	992

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

	Group 2018 £'000	Group 2017 £'000
At 1 April	**380**	608
Acquired through business combinations	**-**	30
Impairment losses recognised	**114**	31
Amounts written off as uncollectable	**(33)**	(156)
Amounts collected	**-**	(2)
Unused amounts reversed	**(11)**	(131)
	450	380

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

20 Assets classified as held for sale

Assets classified as held for sale at 31 March 2018 comprise the expected recoverable amount of dental practices which have been identified for sale as part of the group's portfolio review. These practices are being actively marketed for sale and the directors have a reasonable expectation that these sales will complete within twelve months of the balance sheet date. Assets classified as held for sale at 31 March 2017 comprise freehold and long leasehold properties which had been acquired as part of dental practice acquisitions. All amounts are denominated in Sterling.

	Group 2018 £'000	Group 2017 £'000
Assets classified as held for sale	**3,343**	265

In accordance with IFRS 5 – Non-Current Assets Held For Sale And Discontinued Operations, the assets held for sale are recognised at their fair value less costs to dispose. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar properties or dental practices, and is therefore within level 2 of the fair value hierarchy. Level 2 fair values of dental practice businesses and properties have been derived using the sales comparison approach. Sale prices of comparable assets in close proximity are adjusted for differences in key attributes such as size, profitability and condition. The most significant inputs into these valuations are revenue (including contracted NHS volumes) and estimated EBITDA in the case of dental practice businesses, and price per square foot in the case of freehold properties.

Company

The company has no assets classified as held for sale (2017: £nil).

Notes to the consolidated financial statements *(continued)*

21 Cash and cash equivalents

	Group 2018 £'000	**Company 2018 £'000**	Group 2017 £'000	Company 2017 £'000
Cash at bank and in hand	**16,315**	**40**	12,717	40

Cash deposits are principally held with institutions that hold a minimum credit rating meeting two of the following: BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's). Please also refer to note 31.

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

	Group 2018 £'000	Group 2017 £'000
Sterling	**14,826**	11,832
Euro	**1,401**	760
US Dollar	**10**	88
Other currencies	**78**	37
	16,315	12,717

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

22 Trade and other payables

	Group 2018 £'000	**Company 2018 £'000**	Group 2017 £'000	Company 2017 £'000
Current				
Trade payables	**22,861**	**-**	21,650	-
Amounts owed to group undertakings	**-**	**2**	-	-
Accruals	**104,080**	**-**	90,716	-
Deferred income	**1,238**	**-**	1,302	-
Other taxation and social security	**4,484**	**-**	4,408	-
Contingent consideration	**4,313**	**-**	3,115	-
Government grants	**55**	**-**	55	-
	137,031	**2**	121,246	-
Non-current				
Contingent consideration	**2,312**	**-**	1,032	-
Government grants	**150**	**-**	205	-
	2,462	**-**	1,237	-

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 £57,216,000 in respect of UDA's not delivered (2017: £40,396,000), along with fees of £23,133,000 payable to self-employed dentists in respect of work completed (2017: £25,639,000).

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. The fair value estimates have been calculated using a discount rate of 2% (2017: 5%). The discount rate of 2% was selected as an approximation to a 'risk free' rate of return. This is a level 3 fair value measurement (see note 31).

Notes to the consolidated financial statements *(continued)*

22 Trade and other payables *(continued)*

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 2018 £'000	Group 2017 £'000
Sterling	**135,730**	118,844
Euro	**3,321**	3,451
US Dollar	**274**	120
Other currencies	**168**	68
	139,493	122,483

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

23 Derivative financial instruments

Derivative financial assets/(liabilities)

	Group 2018 £'000	Group 2017 £'000
Current assets		
Unquoted options	**-**	7
Current liabilities		
Interest rate swap contracts	**-**	(493)
Foreign exchange forward contracts	**(167)**	(125)
Unquoted options	**-**	(18)
	(167)	(629)

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 cashflows 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 31).

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.

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 fair value of these unquoted options (which combine call options held by the group and put options written by the group) have been determined using appropriate option pricing models, including the Black Scholes model. This is a level 3 fair value measurement (see note 31).

Notes to the consolidated financial statements *(continued)*

23 Derivative financial instruments *(continued)*

Fair value of interest rate swap contracts

The group previously entered into fixed-to-floating interest rate swaps to hedge the interest rate risk arising where it has borrowed at floating rates. One contract for a notional principal amount of £62.50 million with interest fixed at 1.9125% expired on 1 June 2017. The second contract, also for a notional principal amount of £62.50 million with interest fixed at 1.9210% also expired on 1 June 2017.

The fair value of the interest rate swap contracts at 31 March 2017 was calculated as the present value of the estimated future cash flows based on observable yield curves. This is a level 2 fair value measurement (see note 31).

The group has not entered into any new fixed-to-floating rate interest swaps.

Company

The company has no derivative financial instruments (2017: £nil).

24 Borrowings

	Group 2018 £'000	Group 2017 £'000
Non-current		
Senior secured fixed rate, floating rate and second lien notes		
Due between two and five years	**424,458**	-
Due after five years	**126,533**	550,216
	550,991	550,216
Bank loans		
Due between two and five years	**5,000**	-
Less: unamortised arrangement fees and related costs	**(8,350)**	(10,050)
	547,641	540,166
Loan notes (due between two and five years)	**657,788**	587,311
Redeemable preference shares (due between two and five years)	**50,776**	45,335
	1,256,205	1,172,812

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.

Notes to the consolidated financial statements *(continued)*

24 Borrowings *(continued)*

Senior secured fixed rate, floating rate and second lien notes
Throughout the year ended 31 March 2018, 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'). £5 million had been drawn against the facility at 31 March 2018, and a further £1.8 million committed against a letter of credit (see also note 30). The facility was undrawn at 31 March 2017. Interest is payable in arrears at a rate of LIBOR plus 3.5% per annum. The facility is available until 5 August 2022.

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 31.

The market value of the senior secured fixed rate notes and the senior secured floating rate notes at 31 March 2018 was approximately £388 million (2017: £408 million). 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 103.125% of par between 15 August 2018 and 14 August 2019; at 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 a price of 101% of par between 15 August 2017 and 14 August 2018; or at par between 15 August 2018 and 14 August 2019.

The above call options are not considered by the directors to have any value at 31 March 2018. See also note 23.

Loan notes and redeemable preference shares
Loan stock of £314.51 million was issued on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. Interest accrues on the principal amount at a rate of 12% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 11 May 2021. At 31 March 2018, interest of £343.28 million was accrued on these notes (2017: £272.80 million).

A total of 23,627,422 £1 preference shares were issued at par on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. The preference shares have a fixed, cumulative dividend of 12% per annum and are repayable on the earlier of 11 May 2021 or an exit by majority shareholders. At 31 March 2018, 23,627,422 £1 preference shares were in issue (2017: 23,627,422). Preference share dividends of £27.15 million were accrued at 31 March 2018 (2017: £21.71 million).

Company

The company has no borrowings (2017: £nil).

Notes to the consolidated financial statements *(continued)*

25 Provisions

	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2016	4,283	5,106	9,389
Arising through business combinations	-	30	30
Re-measurement of provisional amounts from prior year business combinations	-	(80)	(80)
(Credited)/charged to the income statement	(5)	259	254
Utilised in the financial year	(854)	(466)	(1,320)
Unwinding of discount	171	56	227
At 31 March 2017	3,595	4,905	8,500

	Above market rental £'000	**Vacant property and dilapidations £'000**	**Total £'000**
At 1 April 2017	3,595	4,905	8,500
Arising through business combinations (note 35)	-	33	33
Re-measurement of provisional amounts from prior year business combinations	-	(2)	(2)
(Credited)/charged to the income statement	(9)	1,210	1,201
Utilised in the financial year	(713)	(702)	(1,415)
Unwinding of discount	144	55	199
Charge to the income statement arising from change in discount rate	324	163	487
At 31 March 2018	**3,341**	**5,662**	**9,003**

	Group 2018 £'000	Group 2017 £'000
Current	**1,981**	1,536
Non-current	**7,022**	6,964
	9,003	8,500

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 are acquired as part of a business combination, provision has been made to recognise the liability arising from the 'above market rental' element of these leases.

The gross provision of £3.6 million (2017: £4.3 million) has been discounted to present value using a rate of 2% (2017: 5%). The discount rate of 2% was selected as an approximation to a 'risk free' rate of return.

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. Provision has been made for the residual lease commitments, together with other outgoings, after taking into account existing sub-tenant arrangements. It is not assumed that the properties will be able to be sublet beyond the periods in the present sub-lease agreements.

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 and the costs of compliance with existing regulations.

The provisions are expected to be substantially utilised over the next five years. An element of the provisions have been discounted to present value in the same manner as described above for the above market rental provision.

Company: The company has no provisions (2017: £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 17% (2017: 17%). See also note 13. The movement on the deferred income tax account is as shown below:

	Arising on share based payments £'000	Arising on defined benefit pension obligation £'000	Accelerated capital allowances £'000	Arising on intangible assets £'000	Arising on financial assets £'000	Total £'000
At 1 April 2016	-	-	9,491	(51,052)	240	(41,321)
Recognised in income	-	1	3,707	5,522	(143)	9,087
Change of tax rate recognised in income	-	-	(550)	2,789	(13)	2,226
Recognised in other comprehensive expense	-	54	-	-	-	54
Arising through business combinations	-	-	(34)	(1,060)	-	(1,094)
At 31 March 2017	-	55	12,614	(43,801)	84	(31,048)
Recognised in income	137	5	3,788	7,593	(84)	11,439
Recognised in other comprehensive expense	-	28	-	-	-	28
Recognised directly in equity	(137)	-	-	-	-	(137)
Arising through business combinations	-	-	-	(478)	-	(478)
At 31 March 2018	**-**	**88**	**16,402**	**(36,686)**	**-**	**(20,196)**

The group has estimated non-trade losses of £30.9 million (2017: £27.5 million) available for carry forward against future non-trade profits. A deferred income tax asset of £5.3 million (2017: £4.7 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 £7.3 million is expected to unwind to the income statement during the year ending 31 March 2019.

Details of the deferred income tax assets and liabilities are as follows:

	Arising on share based payments £'000	Arising on defined benefit pension obligation £'000	Accelerated capital allowances £'000	Arising on intangible assets £'000	Arising on financial assets £'000	Total £'000
Assets						
At 31 March 2017	-	55	12,614	-	84	12,753
At 31 March 2018	**-**	**88**	**16,402**	**-**	**-**	**16,490**
Liabilities						
At 31 March 2017	-	-	-	(43,801)	-	(43,801)
At 31 March 2018	**-**	**-**	**-**	**(36,686)**	**-**	**(36,686)**

Company: The company has no deferred income tax (2017: £nil).

Notes to the consolidated financial statements *(continued)*

27 Share capital

Group and company	Number issued	2018 £'000	Number issued	2017 £'000
Allotted, called up and fully paid				
'A1' ordinary shares of £0.01	**1,681,763**	**17**	1,681,763	17
'A2' ordinary shares of £0.04	**18,236**	**1**	18,236	1
'B' ordinary shares of £0.04	**300,000**	**12**	300,000	12
'E1' ordinary shares of £0.10	**82,559**	**8**	-	-
'E2' ordinary shares of £0.001	**146,771**	**-**	-	-
	2,229,329	**38**	1,999,999	30

On 12 June 2017 the company issued:

- 57,333 'E1' ordinary shares at their par value of £0.10 per share;
- 25,226 'E1' ordinary shares at a price of £0.20 per share; and
- 146,771 'E2' ordinary shares at their par value of £0.001 per share.

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

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

The 'E1' ordinary shares carry five percent of the total voting rights at a general meeting, subject to certain restrictions. The 'E1' ordinary shares are also subject to restrictions on distributions in the event of a sale of the company. See also note 29.

The 'E2' ordinary shares carry no voting rights and are also subject to restrictions on distributions in the event of a sale of the company. See also note 29.

28 Reserves

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

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

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

Notes to the consolidated financial statements *(continued)*

29 Share based payments

On 12 June 2017, the company issued a total of 82,559 'E1' ordinary shares of £0.10p and 146,771 'E2' ordinary shares of £0.01p. 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, or will be, 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 period, determined using an expected value model, is £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 is to be charged to the income statement over the expected life of the shares. As a result, a charge of £808,000 (2017: £nil) has been recognised in the income statement in respect of the period from the commencement date of 1 July 2017 to 31 March 2018.

Notes to the consolidated financial statements *(continued)*

30 Commitments and contingencies

Group

(a) 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 as follows:

Land and buildings	**Group 2018 £'000**	Group 2017 £'000
Within one year	**13,679**	13,817
Between one year and five years	**47,195**	48,850
After five years	**59,401**	65,989
	120,275	128,656

Other	**Group 2018 £'000**	Group 2017 £'000
Within one year	**904**	898
Between one year and five years	**964**	865
After five years	**5**	-
	1,873	1,763

(b) Contingencies

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

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

Partnership guarantees
A number of individuals in the management team have entered into partnerships as part of the group's acquisition of the trade and assets of those partnerships. The partners hold their interest in the partnership under a trust deed on behalf of one of the group companies. In order to indemnify the partners against specific risks in relation to this arrangement, a guarantee is in place supported by a letter of credit from the group's bank for £1.8 million (2017: £1.8 million).

Company

Guarantee over the liabilities of subsidiaries
The company has provided a guarantee to the members of certain subsidiary companies, as identified in note 17, 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 17 are exempt from audit of their individual company financial statements for the year ended 31 March 2018 by virtue of section 479A of the Companies Act 2006.

Notes to the consolidated financial statements *(continued)*

31 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 Dental Directory, 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.

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 Dental Directory 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.

Until 1 June 2017, the group held two fixed interest rate contracts totalling £125 million. Following the expiry of these contracts on 1 June 2017 and with £275 million of the group's senior secured notes being of a fixed rate nature, interest charges are now fixed in respect of 49% of the group's total drawn debt (2017: 72%). 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)*

31 Financial instruments *(continued)*

Sensitivity analysis

Management have considered the risk of changes in interest rates upon the group's financial performance. 49% (2017: 72%) of the group's external debt is subject to fixed interest rates or is hedged through interest rate swap contracts 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 £2.5 million or £1.6 million respectively, based upon the funding structure in place at 31 March 2018.

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 2018 £'000	Group 2017 £'000
EBITDA before non-underlying items	**55,115**	68,809
Net bank and bond debt	**531,326**	527,449
Net debt to EBITDA	**9.64**	7.67

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.

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.

As at 31 March 2018, the estimated ratio of net debt to Proforma EBITDA was 9.28 times (2017: 7.50 times)

EBITDA interest cover

	Group 2018 £'000	Group 2017 £'000
EBITDA before non-underlying items	**55,115**	68,809
Cash finance costs	**40,998**	40,515
EBITDA interest cover	**1.34**	1.70

Cash 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, together with fixed rate interest swap charges and syndicate charges, but excludes loan note interest, preference share dividends, 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.

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'). However, under the terms of the group's new 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 £5 million was drawn against the facility at 31 March 2018 (5%), 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.

Notes to the consolidated financial statements *(continued)*

31 Financial instruments *(continued)*

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 2017	**Less than one year £'000**	**Between one and two years £'000**	**Between two and five years £'000**	**After five years £'000**
Loans and borrowings	-	-	632,646	550,216
Trade and other payables	115,536	747	470	20
	115,536	747	633,116	550,236

At 31 March 2018	**Less than one year £'000**	**Between one and two years £'000**	**Between two and five years £'000**	**After five years £'000**
Loans and borrowings	-	-	1,138,022	126,533
Trade and other payables	131,309	2,261	192	9
	131,309	**2,261**	**1,138,214**	**126,542**

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 20 for additional detail on assets held for sale, 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 2018**			At 31 March 2017		
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets						
Assets held for sale	**-**	**3,343**	**-**	-	265	-
Derivative financial instruments	**-**	**-**	**-**	-	-	7
Financial liabilities						
Derivative financial instruments	**-**	**(167)**	**-**	-	(618)	(18)
Contingent consideration	**-**	**-**	**(6,625)**	-	-	(4,147)

Notes to the consolidated financial statements *(continued)*

31 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 (2017: 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 2018 £'000	Group 2017 £'000
At 1 April	**4,147**	8,647
Arising through business combinations	**1,912**	1,000
Re-measurement of provisional amounts from prior year business combinations	**-**	(297)
Short term retentions	**12**	358
Contingent consideration settled	**(2,379)**	(859)
Contingent consideration settled from escrow funds	**-**	(1,978)
Short term retentions settled	**(74)**	(718)
Differences between contingent consideration paid and estimates initially recognised	**2,889**	(2,152)
Unwinding of discount	**51**	146
Charge to the income statement arising from change in discount rate	**67**	-
At 31 March	**6,625**	4,147

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

Unquoted options

	Assets		**Liabilities**	
	Group 2018 £'000	Group 2017 £'000	**Group 2018 £'000**	Group 2017 £'000
At 1 April	**7**	41	**(18)**	(92)
Change in fair value through profit or loss	**(7)**	(34)	**18**	74
At 31 March	**-**	7	**-**	(18)

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

Notes to the consolidated financial statements *(continued)*

32 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 £879,000 (2017: £836,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2017: £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 2018 the group did not contribute directly to the scheme, however, the cost of insuring death in service benefits and other trustee expenses were paid by the group and amounted to £60,000 (2017: £51,000). The group does not expect to make contributions to the scheme or for 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 2017 and 31 March 2018 by a qualified independent actuary.

The significant actuarial assumptions were as follows:

	Group 2018 %	Group 2017 %
Rate of increase in pensions in payment and deferred pensions	**3.30**	3.40
Discount rate applied to scheme liabilities	**2.60**	2.60
Inflation assumption	**3.30**	3.40

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

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires at the age of 65 in 2018 will on average live for a further 22.7 years (2017: 22.9 years) after retirement if they are male and 24.9 years (2017: 25.3 years) if they are female.

It is also assumed that members retiring in 20 years' time will on average live for a further 24.1 years (2017: 24.2 years) after retirement if they are male and 26.4 years (2017: 26.7 years) if they are female.

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

	Group 2018 £'000	Group 2017 £'000
Present value of funded obligations	**(5,075)**	(5,410)
Fair value of plan assets	**4,558**	5,089
Deficit recognised in the balance sheet	**(517)**	(321)

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)*

32 Post employment benefits *(continued)*

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

	2018			2017		
	Present value of funded obligations	**Fair value of plan assets**	**Deficit**	Present value of funded obligations	Fair value of plan assets	Surplus/ (deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
At 1 April	**(5,410)**	**5,089**	**(321)**	(4,293)	4,638	345
Scheme expenses paid out	**-**	**(21)**	**(21)**	-	(20)	(20)
Interest (expense)/income	**(134)**	**125**	**(9)**	(159)	171	12
	(134)	**104**	**(30)**	(159)	151	(8)
Re-measurement:						
Return on plan assets excluding interest income	**-**	**(118)**	**(118)**	-	539	539
Re-measurement gain from changes in demographic assumptions	**55**	**-**	**55**	-	-	-
Re-measurement gain/(loss) from changes in financial assumptions	**35**	**-**	**35**	(1,249)	-	(1,249)
Experience (loss)/gain	**(138)**	**-**	**(138)**	52	-	52
	(48)	**(118)**	**(166)**	(1,197)	539	(658)
Benefits paid	**517**	**(517)**	**-**	239	(239)	-
At 31 March	**(5,075)**	**4,558**	**(517)**	(5,410)	5,089	(321)

Plan assets are comprised as follows:

	2018		2017	
	Value	**Percentage of plan assets**		Percentage of plan assets
	£'000	**%**	£'000	%
Equities	**2,178**	**48%**	2,382	47%
Bonds	**2,301**	**51%**	2,615	52%
Property	**63**	**1%**	66	1%
Cash	**16**	**-**	26	-
Total market value of plan assets	**4,558**	**100%**	5,089	100%

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

Assumption	**Change in assumption**	**Change in liabilities**
Discount rate	Decrease by 0.5%	Increase by 11%
Rate of inflation	Increase by 0.5%	Increase by 6%
Life expectancy	Increase by one year	Increase by 2%

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)*

33 Related party transactions

Group

Shareholder loans
CEP III IHP S.a.r.l., an entity controlled by The Carlyle Group, and a related party due to common control, holds £254.95 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2017: £254.95 million). During the year to 31 March 2018, interest of £57.29 million was accrued (2017: £51.15 million). The total amount of accrued interest due at 31 March 2018 is £279.73 million (2017: £222.44 million).

ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, holds £59.56 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2017: £59.56 million). During the year to 31 March 2018, interest of £13.19 million was accrued (2017: £11.78 million). The total amount of accrued interest due at 31 March 2018 is £63.55 million (2017: £50.36 million).

ADP Primary Care Acquisitions Limited also holds preference shares in Turnstone Midco 1 Limited with a par value of £20.00 million (2017: £20.00 million). During the year to 31 March 2018, dividends of £4.69 million were accrued (2017: £4.18 million). The total amount of accrued dividends due at 31 March 2018 is £23.71 million (2017: £19.02 million).

Company

Loan notes
The company holds £1.85 million of loan notes issued by the company's immediate subsidiary, Turnstone Midco 1 Limited (2017: £1.85 million). During the year to 31 March 2018, interest of £0.43 million was accrued (2017: £0.39 million). The total amount of accrued interest due to the company at 31 March 2018 is £2.19 million (2017: £1.76 million).

34 Cash generated from operations

	Group 2018 £'000	Group 2017 £'000
Loss before income tax	**(219,680)**	(144,927)
Adjustments:		
Depreciation of property, plant and equipment	**21,745**	20,702
Amortisation of government grants	**(55)**	(60)
Amortisation of intangible assets	**32,079**	32,784
Impairment of goodwill and intangible assets	**66,276**	30,000
Finance costs	**119,429**	123,824
Finance income	**(509)**	(1,590)
Loss on business and asset disposals	**29,771**	1,419
Differences between contingent consideration paid and estimates initially recognised	**2,889**	(2,152)
Defined benefit pension scheme expenses paid	**21**	20
Loss from derivative financial instruments at fair value through profit or loss	**31**	783
Value of employee services arising from shares granted to directors and employees	**808**	-
Cash generated from operations before movements in working capital	**52,805**	60,803
Movements in working capital:		
(Increase)/decrease in inventories	**(1,325)**	682
Decrease in trade and other receivables	**782**	5,078
Increase in trade and other payables	**15,145**	7,676
Decrease in provisions	**(1,473)**	(1,303)
Total movements in working capital	**13,129**	12,133
Cash generated from operations	**65,934**	72,936

Notes to the consolidated financial statements *(continued)*

35 Business combinations

mydentist

During the year mydentist acquired one unincorporated dental practice and Dental Directory acquired the entire issued share capital of BF Mulholland Limited, a wholesaler of dental consumables, materials and equipment located in Northern Ireland, along with the trade, assets and liabilities of a small orthodontic appliances and materials supplier (Torque Orthodontics). The directors consider each of these acquisitions to be individually immaterial to the group having considered a range of qualitative and quantitative factors. Therefore, these acquisitions have been aggregated for disclosure purposes within their respective CGUs. Details of the companies and partnerships acquired are set out in note 17.

	mydentist	**Dental Directory**	**Total**
	£'000	**£'000**	**£'000**
Consideration			
Cash	1,645	4,625	6,270
Contingent consideration	118	1,794	1,912
Total consideration	**1,763**	**6,419**	**8,182**
Fair value of assets and liabilities acquired			
Intangible assets (note 15)	817	1,994	2,811
Property, plant and equipment	50	140	190
Inventories	1	573	574
Trade and other receivables	-	993	993
Cash and cash equivalents	-	159	159
Trade and other payables	-	(739)	(739)
Deferred income tax	(139)	(339)	(478)
Provisions	(3)	(30)	(33)
Total identifiable net assets	**726**	**2,751**	**3,477**
Goodwill	1,037	3,668	4,705
Total	**1,763**	**6,419**	**8,182**

In addition to the consideration shown above, acquisition related fees and expenses of £0.3 million were incurred. All fees and expenses have been expensed to administrative expenses within the income statement and are shown separately in note 5.

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. The fair value estimates have been calculated using a discount rate of 2%. The discount rate of 2% was selected as an approximation to a 'risk free' rate of return. This is a level 3 fair value measurement (see note 31).

Goodwill represents additional synergies and benefits that the group expects to derive from the businesses acquired.

During the year ended 31 March 2018, the above acquisitions contributed revenue of £3.6 million and EBITDA before non-underlying items of £0.4 million to the group results. If the above acquisitions had all been completed on 1 April 2017, their contribution to group revenue and EBITDA before non-underlying items would have been approximately £6.2 million and £0.8 million respectively.

Notes to the consolidated financial statements *(continued)*

36 Subsequent events

To the date of this report, the group has closed a further four practices and sold a further three practices as part of the ongoing disposal of those practices identified through the portfolio review. In addition, since the year end, the group has taken the decision to close or sell a further 21 practices.

37 Controlling party

At 31 March 2018 the immediate parent undertaking of Turnstone Equityco 1 Limited was CEP III IHP S.a.r.l., a company registered in Luxembourg.

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

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 2018 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.