IDH Finance plc

Annual report for Bondholders

Year ended 31 March 2016

Contents

Presentation of financial data	1
Forward looking statements	2
Summary	3
Certain definitions	5
Risk factors	8
Management's discussion and analysis of financial condition and results of operations	25
Industry	49
Business	55
Management	73
Principal shareholders	76
Certain relationships and related party transactions	78
Turnstone Midco 2 Limited annual report and consolidated financial statements	F-1

Presentation of financial data

This report summarises consolidated financial and operating data derived from the audited consolidated financial statements of Turnstone Midco 2 Limited, the parent company of IDH Finance plc. The financial information provided has been derived from our records for the years ended 31 March 2016 and 31 March 2015.

The financial information in this report has been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The group's deemed transition date to IFRS is 1 April 2014. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 - First Time Adoption of International Financial Reporting Standards ('IFRS 1'). IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The group has not applied any of the optional exemptions under IFRS 1. Specifically, the group has applied IFRS 3 – Business Combinations (Revised) ('IFRS 3') to all previous business combinations, including the acquisitions of both Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011.

The comparative financial information provided in this report for the year ended 31 March 2015 has been restated from previous reports in order to comply with IFRS.

Non-IFRS financial measures

We have presented certain non-IFRS information in the Annual report. This information includes "EBITDA", which represents earnings before interest, tax, depreciation, amortisation and one-off, exceptional, or strategic items (referred to as 'non-underlying' items). Our management believes EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt. EBITDA is also used by management to track our business development, establish operational and strategic targets and make important business decisions. EBITDA is the measure commonly used by investors and other interested parties in our industry.

We have also included other measures in this Annual report, some of which we refer to as "key performance indicators" ("KPIs"), including EBITDA margin, gross profit margin, NHS dentistry services revenue as a percentage of total revenue, total annual UDA delivery percentage, UDA contract uplift (as defined herein), private dentistry services revenue as a percentage of total revenue, like-for-like private revenue growth, practice services as a percentage of revenue, overheads as a percentage of revenue and total number of dental practices. We believe that it is useful to include these non-IFRS measures as they are used by us for internal performance analysis. These other non-IFRS measures should not be considered in isolation or construed as a substitute for IFRS measures. For a description of certain of our KPIs, see "Management's discussion and analysis of financial condition and results of operations—Description of key line items—Other financial information (non-IFRS)".

Information presented in this report and described as like-for-like excludes any practices or other operating units trading in the group in the current financial year or the year ended 31 March 2015 but not in both.

References to "Integrated Dental Holdings", "IDH" and "the group" refer to Turnstone Midco 2 Limited and all of its subsidiaries.

DISCLAIMER

THIS DOCUMENT HAS BEEN PREPARED BY TURNSTONE MIDCO 2 LIMITED AND IDH FINANCE PLC. BY REVIEWING THIS DOCUMENT OR PARTICIPATING ON THE CONFERENCE CALL THAT PRESENTS IT, YOU AGREE TO BE BOUND BY THE FOLLOWING CONDITIONS.

THIS DOCUMENT IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN TURNSTONE MIDCO 2 LIMITED OR IDH FINANCE PLC. FURTHERMORE IT DOES NOT CONSTITUTE A RECOMMENDATION BY TURNSTONE MIDCO 2 LIMITED OR ANY OTHER PARTY TO SELL OR BUY SECURITIES IN TURNSTONE MIDCO 2 LIMITED OR ANY OTHER SECURITIES. ALL WRITTEN OR ORAL FORWARD LOOKING STATEMENTS ATTRIBUTABLE TO TURNSTONE MIDCO 2 LIMITED, IDH FINANCE PLC, OR PERSONS ACTING ON THEIR BEHALF ARE QUALIFIED IN THEIR ENTIRETY BY THESE CAUTIONARY STATEMENTS.

Forward-Looking Statements

This Annual report includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Summary

Integrated Dental Holdings ("IDH") is the leading provider of dental services in the United Kingdom and also provides support services to other third party dental practices and the wider healthcare sector.

The group operates through two divisions:

- Patient services, where our dentists offer a broad range of primary care dental services in our dental practices, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics.
- Practice services, where we distribute dental consumables and materials to dental practices throughout the United Kingdom. We also carry out services such as equipment installation and maintenance.

During the year ended 31 March 2016 we have made further progress with our strategic plan:

- The acquisition of 34 additional dental practices to increase our network from 644 to 672 dental practices, and including our first practices in Northern Ireland.
- The rebranding of a further 316 of our practices as "mydentist", which is now complete across 418 sites.
- The acquisition of three new businesses in our practice services division:
    - Med-FX, a provider of facial aesthetics supplies;
    - PDS Dental Laboratories Leeds, a state-of-the-art laboratory providing crown and bridge work, dentures and implant assistance to dentists across the country; and
    - Dolby Medical, a leading supplier in Scotland of dental equipment and services.

Financial Highlights

- EBITDA before non-underlying items for the year ended 31 March 2016 increased to £80.2 million, 4.4% up on the year to 31 March 2015.
- Revenue was £565.9 million, with year on year revenue growth of 5.9% predominantly driven by dental practice acquisitions throughout the year and growth in private dentistry treatments.
- Like-for-like private revenue growth was 11.6% (2015: 12.2%).
- UDA delivery percentage of 92.4% for the year ended 31 March 2016 compared with 95.8% for the year ended 31 March 2015.
- Administrative expenses, excluding depreciation, goodwill amortisation and non-underlying items, as a percentage of revenue was 31.8% (2015: 30.8%).
- Estimated pro forma adjusted EBITDA at 31 March 2016 of £87.2 million.
- Cash generated from operations for the year ended 31 March 2016 was £80.0 million compared to £77.4 million for the year ended 31 March 2015.
- Group maintenance capital expenditure for the year ended 31 March 2016 was £22.2 million. £21.0 million of which relates to the patient services division, representing 4.44% of divisional revenue.
- Normalised cash conversion adjusting for one-off items in working capital and maintenance capital expenditure was 97.1% (2015: 87.3%).
- Cash and cash equivalents at 31 March 2016 of £14.9 million and net debt was £516.9 million.
- Gearing levels are 6.45 times LTM EBITDA and 5.93 times estimated pro-forma adjusted LTM EBITDA.

Q4 FY 2016 Financial Highlights

- EBITDA before non-underlying items of £20.8 million for the three months ended 31 March 2016 ('Q4 FY 2016'), down £0.3 million or 1.3% from the three months ended 31 March 2015.
- Revenue for Q4 FY 2016 of £146.7 million with year-on-year revenue growth of 3.5%.
- Q4 FY 2016 like-for-like private revenue growth of 8.2%.
- Six practices were acquired during the quarter.
- Cash generated from operations of £23.7 million in the three months to 31 March 2016 (Q4 FY 2015: £26.2 million).
- Maintenance capital expenditure for the quarter ended 31 March 2016 was £5.8 million.

Recent developments

- Since 31 March 2016, the group has acquired a further two dental practices.

Certain definitions

In this Annual report:

- "2013 Issue Date" means 30 May 2013, the date on which the Existing Notes were issued;
- "2013 Notes Issuance" means the issuance of the Existing Notes on the 2013 Issue Date;
- "2014 Issue Date" means 9 May 2014, the date on which the Additional Notes were issued;
- "2014 Issuance" refers to the offering of the Additional Notes;
- "Additional Notes" means the £100.0 million in aggregate principal amount of the Issuer's senior secured floating rate notes due 2018 issued under the Senior Secured Notes Indenture on the 2014 Issue Date;
- "BDA" means the British Dental Association;
- "BidCo" means Turnstone Bidco 1 Limited;
- "Board" or "Directors" means the Board of Directors of EquityCo;
- "Carlyle" means The Carlyle Group;
- "CMA" means the United Kingdom's Competition and Markets Authority;
- "Collateral" means the share capital of the Issuer and each of the Guarantors, and substantially all the assets of the Issuer and the Guarantors, in each case as is more specifically described under "Description of the Senior Secured Notes—Security";
- "CQC" means the Care Quality Commission;
- "dbg" means the Dental Buying Group, a UK supplier of medical and dental equipment and supplies, that we acquired on 16 April 2013;
- "Department of Health" means the UK Department of Health;
- "EquityCo" means Turnstone Equityco 1 Limited;
- "EU" means the European Union;
- "Euro" or "€" means the lawful currency of the Member States of the European Union participating in the European Monetary Union;
- "Existing Notes" means the Existing Senior Secured Notes and the Second Lien Notes;
- "Existing Senior Secured Floating Rate Notes" means the £125.0 million aggregate principal amount of the Issuers senior secured floating rate notes due 2018 issued in connection with the 2013 Notes Issuance;
- "Existing Senior Secured Notes" means the Existing Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes;
- "Floating Rate Notes" means the Existing Senior Secured Floating Rate Notes and the Additional Notes;
- "FSMA" means the Financial Services and Markets Act 2000;
- "GDS Contract" means a general dental services contract with NHS England;
- "Guarantees" means the Senior Secured Notes Guarantees and the Second Lien Notes Guarantees;
- "Guarantors" means the Parent Guarantor and the Subsidiary Guarantors;
- "HMRC" means HM Revenue & Customs;
- "IDH" means Integrated Dental Holdings;
- "IFRS" means International Financial Reporting Standards as adopted by the European Union;
- "Indentures" means the Senior Secured Notes Indenture and the Second Lien Notes Indenture;
- "Intercompany Loans" means the subordinated, payment-in-kind intercompany loans by which MidCo on-lent the proceeds of the Subordinated Shareholder Loans to the Parent Guarantor and by which the Parent Guarantor

on-lent such proceeds to BidCo, which were wholly repaid or capitalized in connection with the 2013 Notes Issuance;

- "Intercreditor Agreement" means the intercreditor agreement amongst the Parent Guarantor, the Issuer, the Trustee, the Subsidiary Guarantors, ING Bank N.V., London Branch, as facility agent, the lenders under the Revolving Credit Facility Agreement and the Security Agent dated as at 30 May 2013 to govern the relationships and relative priorities of, amongst others, the holders of the Notes and the lenders under the Revolving Credit Facility;
- "IRS" means the US Internal Revenue Service;
- "Issuer" means IDH Finance plc;
- "MidCo" means Turnstone Midco 1 Limited, a wholly owned subsidiary of EquityCo;
- "NHS" means the UK National Health Service;
- "NHS England" means the independent national health services commissioning board, an executive non-departmental public body under the Department of Health in England, formerly known as the NHS Commissioning Board;
- "NHS Regions" means one of the four NHS regions or there respective sub-regions that act on behalf of NHS England, with responsibility for primary care contract management;
- "Notes" means the Senior Secured Notes and the Second Lien Notes;
- "Old Senior Credit Facilities" means the senior credit facilities governed by the amendment and restatement agreement relating to a senior facilities agreement dated 16 March 2011, amongst, *inter alios*, Turnstone Midco 2 Limited, Turnstone Bidco 1 Limited, ING Bank N.V., London Branch, The Governor and Company of the Bank of Ireland, Lloyds TSB Bank PLC and Société Générale, London Branch, as Mandated Lead Arrangers, dated as at 11 June 2012, which were repaid with proceeds from the 2013 Notes Issuance;
- "Palamon" means Palamon Capital Partners;
- "Parent Guarantor" means Turnstone Midco 2 Limited, the parent company of the Issuer;
- "PDS Contract" means a personal dental services contract with NHS England;
- "Pound", "pounds sterling", "U.K. pound" or "£" mean the lawful currency of the United Kingdom;
- "Predecessor IDH" means Pearl Topco Limited and its consolidated subsidiaries prior to 11 May 2011;
- "Proceeds Loans" means the proceeds loans dated on or about the 2013 Issue Date and on or about the 2014 Issue Date from the Issuer to BidCo, representing the net proceeds of the 2013 Notes Issuance and the 2014 Notes Issuance respectively;
- "Prospectus Directive" means EU Prospectus Directive (2003/71/EC) (and amendments thereto, including directive 2010/73/EU, to the extent implemented in the Relevant Member State);
- "Qualified Institutional Buyer" or "QIB" has the meaning given by Rule 144A under the US Securities Act;
- "Qualified Investors" means persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive;
- "Registrar" means Elavon Financial Services Limited;
- "Regulation S" means Regulation S under the US Securities Act;
- "Revolving Credit Facility" means the revolving credit facility governed by the Revolving Credit Facility Agreement;
- "Revolving Credit Facility Agreement" means the £100.0 million super senior revolving credit facility agreement dated as at 20 May 2013, amongst, *inter alios*, the Parent Guarantor, BidCo and Credit Suisse AG, London Branch and J.P. Morgan Limited as arrangers;
- "Rule 144A" means Rule 144A under the US Securities Act;
- "Second Lien Notes" means the £75.0 million aggregate principal amount of the Issuer's 8 1/2% second lien notes due 2019 issued in connection with the 2013 Notes Issuance;

- "Second Lien Notes Guarantees" means the guarantees of the Second Lien Notes on a senior subordinated basis by the Guarantors;
- "Second Lien Notes Indenture" means the indenture governing the Second Lien Notes dated as at the 2013 Issue Date by and amongst, *inter alios,* the Issuer and U.S. Bank Trustees Limited, as Trustee;
- "Security Agent" means U.S. Bank Trustees Limited;
- "Security Documents" means the agreements entered into between, amongst others, the Security Agent, the Issuer and the Guarantors pursuant to which security interests in the Collateral are granted to secure the Notes, which as at the Issue Date will consist of (i) an English law governed debenture entered into by the Issuer and the Guarantors on or about the Issue Date, (ii) a Scots law governed bond and floating charge entered into by the relevant Guarantor on or about the Issue Date and (iii) a Scots law governed share pledge entered into by the relevant Guarantor on or about the Issue Date;
- "Senior Secured Fixed Rate Notes" means £200.0 million aggregate principal amount of the Issuer's 6% senior secured fixed rate notes due 2018 issued in connection with the 2013 Notes Issuance;
- "Senior Secured Notes" means the Senior Secured Fixed Rate Notes and the Floating Rate Notes;
- "Senior Secured Notes Guarantees" means the guarantees of the Senior Secured Notes on a senior secured basis by the Guarantors;
- "Senior Secured Notes Indenture" means the indenture governing the Senior Secured Notes dated as at the 2013 Issue Date by and amongst, *inter alios*, the Issuer and U.S. Bank Trustees Limited, as Trustee, as described in "Description of the Senior Secured Notes";
- "Sponsors" means, together, Carlyle and Palamon;
- "Subsidiary Guarantors" means those companies set out under "Listing and general information—Subsidiary Guarantors";
- "Subordinated Shareholder Loans" means the loan notes issued by MidCo to funds managed by Carlyle and Palamon in connection with our acquisition by them, in each case with the terms described in "Description of other indebtedness—Subordinated Shareholder Loans and Intercompany Loans";
- "The Dental Directory" means the supplier of dental products, including orthodontics, oral hygiene, surgical accessories and equipment, that we acquired on 17 April 2014.
- "Transfer Agent" means Elavon Financial Services Limited, UK Branch;
- "Trustee" or "Trustees" means U.S. Bank Trustees Limited;
- "UDA" means unit of dental activity;
- "UK Government" means the government of the United Kingdom;
- "United Kingdom" or "UK" means the United Kingdom of Great Britain, Northern Ireland, Guernsey, Jersey and the Isle of Man;
- "United States", "US" or "U.S." means the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia;
- "US dollars" or "US$" means the lawful currency of the United States;
- "US Exchange Act" means the United States Securities Exchange Act of 1934, as amended;
- "US GAAP" means the generally accepted accounting principles in the United States;
- "US Securities Act" means the United States Securities Act of 1933, as amended; and
- "we" or "us" means the Parent Guarantor and its consolidated subsidiaries, unless the context requires otherwise.

Risk factors

The risks described below should be carefully considered, together with all of the other publicly available information regarding IDH in assessing any investment decision regarding IDH. The risks below are not the only risks facing IDH. Additional risks and uncertainties not currently known to IDH, or that IDH considers to be immaterial, may also materially and adversely affect its business or operations. Any of the risks described could have a materially adverse effect on IDH's results of operation and financial condition and its ability to service its debt including the Senior Secured Notes, the Floating Rate Notes and the Second Lien Notes.

Risks related to our business

We may fail to deliver UDA volumes under our NHS dentistry contracts, or we may reach those volumes over a longer period of time than originally expected, which could have a negative impact upon our results of operations and the financial performance of our business.

Many of our NHS dentistry contracts require the dental practice holding the contract to reach certain volumes within a certain period of time. If, whether due to underperformance, poor management, lack of demand or any other reason, a dental practice suffers repeated UDA underperformance of more than 4% (or 5% in Wales) in any three years, volumes under the contract may be reduced, or, if the cumulative effect of breaches are prejudicial to the services to be provided under such NHS dentistry contract, the entire contract may be lost. In addition, as we are paid each month for 1/12 of the contract value under NHS dentistry contracts, any underperformance in terms of UDA delivery must be repaid to the NHS after the end of the contract year of underperformance. Significant underperformance could thereby result in large repayments to the NHS, and we may not have cash or financing available at such times to make such repayments, which could adversely impact our financial condition.

Industry-wide factors have resulted in a decrease in our UDA delivery rates, which negatively impacts our revenues from NHS dentistry services.

During the twelve months ended 31 March 2016, we have experienced a decline in UDA delivery rates with respect to the NHS dentistry services provided by our patient services division. Our UDA delivery rate for the contract year ending 31 March 2016 was approximately 92.4% compared to an average UDA delivery rate of approximately 97% for the five years ended 31 March 2015. This reduction in UDA delivery rates in our core business of NHS dentistry services resulted in a decline in revenue and EBITDA before non-underlying items for the year.

We believe that this decline in our UDA delivery rates is a result of industry-wide factors, namely increased NHS scrutiny of claims and performance benchmarks and a decrease in the number of exempt patients we treat as a result of the improving UK economy. The increased NHS scrutiny of claims and performance benchmarks, including delivery of so-called "28-day letters" to our patient services division's dental practices, has reduced dentist productivity by requiring dentists to spend more time recording notes detailing patient care and causing dentists to be more cautious in claiming UDAs. Moreover, the decrease in the number of exempt patients, who are not required to contribute to the cost of the NHS dentistry services they receive, has resulted in a decline in the mix of UDA bands delivered, since exempt patients typically receive services requiring a high number of UDAs.

While we are undertaking measures to address the decline in UDA delivery rates, we cannot make any assurances that such measures will be successful, or that the loss of revenues from UDA delivery rates will be offset by increases in the provision of private dentistry services or NHS dentistry contract price uplifts. Furthermore, we may face continued NHS scrutiny in the future that may offset any measures we take to address UDA delivery rate declines. See "Management's discussion and analysis of financial condition and results of operations—Significant factors affecting results of operations—Industry-wide factors affecting UDA delivery rates". In addition to its impact on revenue, a drop in UDA delivery also increases the risk that NHS Regions may seek to renegotiate the number of UDAs contracted under certain of our patient services division's NHS dentistry contracts or even, in an extreme scenario, terminate certain NHS dentistry contracts. A continuation of the decline in UDA delivery rate over an extended period of time may have a material adverse impact on our financial condition.

Our inability to attract and retain dentists, hygienists, nurses, practice managers and other key dental professionals could adversely affect our business, financial condition and results of operations.

The success of our dental practices depends on attracting and retaining qualified, skilled and experienced dentists, hygienists and nurses. Our success also depends on our ability to attract and retain qualified practice and regional managers, in addition to senior management at the group level. In the future, if competition for the services of these dental professionals increases, we may not be able to continue to attract and retain such dentists, or may only be able to do so at unsatisfactory rates. We have previously experienced periods in which a shortage of qualified dentists in the United Kingdom and our inability to fill vacancies had a negative adverse effect on our operations, and we may experience similar periods in the future. In particular, our ability to attract and retain dentists could be negatively affected by any adverse change in our reputation, and this risk may be exacerbated by our recently-established brand. We may also experience localised shortages of dentists, as the availability and distribution of NHS dentists can vary widely across regions. For example, historically we have had, and continue to have, difficulty attracting and retaining dentists in the southwest of England. Vacancies, whether localised or on a national scale, result in lower rates of UDA delivery and may partly reflect variable levels of spending on NHS dentistry by the NHS, and thereby affect our ability to perform under our contracts and our results of operations. Furthermore, our plans for future talent sourcing and retention of highly trained dental professionals may not materialise or may be more expensive than expected. We have historically experienced a high rate of revenue among our dental nurses. The implementation of a national living wage in the United Kingdom may result in additional revenue among our dental nurses as the pay for other types of work will increase.

Our business depends on personal relationships and the professional reputation of our dentists, whose patients refer other patients to our dental practices. Dentists who have left our practices and who have strong relationships with their local health community may draw business away from us. If we lose, or fail to attract and retain, skilled dentists, hygienists, nurses and other key dental professionals, our revenue and earnings could be adversely affected.

When necessary, we have attempted to overcome shortages in the supply of dentists, hygienists and nurses in the United Kingdom by recruiting dentists, hygienists and nurses from outside the United Kingdom, particularly from South Africa and Eastern Europe. If shortages in the supply of dentists, hygienists and nurses in the United Kingdom occur again, we may be unable to fill vacancies in the future if immigration processing and obtaining NHS and GDC approvals becomes more difficult, particularly for dental professionals who are not citizens of the EEA. Such difficulties could be exacerbated if the UK were to decide to withdraw from membership of the European Union following the referendum which is expected to take place on 23 June 2016, and if such withdrawal (or any renegotiation of the terms upon which the UK is to remain part of the European Union) resulted in greater restrictions on the movement of people between the European Union and the United Kingdom. An inability to fill vacancies with non-UK citizens during times of shortage of dental professionals in the United Kingdom could result in underperformance in our contracts and a corresponding loss of revenue or, if such underperformance is significant and persistent, decreased volumes under, or losses of, our NHS dentistry contracts.

We spend substantial resources and time training our staff, and any increase in staff turnover in an industry where shortages in the supply of qualified dentists is common could increase our operating costs and impact the quality of the services we provide.

Our business activities are exposed to significant health and safety risks, and we may also be subject to future liability due to unforeseen health and safety risks.

Health and safety risks are inherent in the services that we provide and are always present in the dental practices that we operate. Our business activities are, in particular, exposed to significant risks, relating, for example, to the transmission of infections (including blood-borne infections, such as HIV) and other risks, to dentists, employees and patients, associated with medical practices generally and dental practices specifically. Furthermore, we sell dental equipment and supplies, as well as, following our acquisition of Med-FX, facial aesthetic products, and have warehouses and logistic systems which are also subject to health and safety regulations and standards. If an incident occurs because of a failure to comply with health and safety regulations by us or our employees or as a result of a defective product sold by us, we may be held liable or fined, and any registration certificates or licences we require to operate our business or our dental practices could be suspended or withdrawn for such failure. This may have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. From time to time we have experienced health and safety incidents.

Our operations are subject to licensing and regulation under national and local laws and regulations in the United Kingdom relating to the protection of human and occupational health and safety, including those governing the handling and disposal of medical samples and biological, infectious and hazardous waste, as well as regulations

relating to the safety and health of dental professionals and staff. Our dental practices are also required to comply with specific regulations for dentists, including sterilisation and decontamination rules. In addition, we must meet extensive requirements relating to workplace safety for personnel in dental practices who could be exposed to various biological risks such blood-borne pathogens (including HIV), which require work practice controls, protective clothing and equipment, training, medical follow-ups, vaccinations and other measures such as needlestick prevention.

Moreover, we could incur substantial costs and sanctions, including civil and criminal fines and penalties, enforcement actions, or the suspension or termination of our licences to operate as a result of violations of our responsibilities under these laws and regulations, which could have a material adverse effect on our business. We also may become subject to claims from employees or other persons, such as those alleging injury or illness resulting from exposure to materials they handle or to which they are exposed or to patients with whom they come into contact. Health and safety regulations are likely to become more stringent over time, and our costs to comply with these requirements are likely to increase.

We handle personal data including sensitive patient data in the ordinary course of our business, and any failure to maintain the confidentiality of that data could result in legal liability for us and reputational harm to our business.

We receive, generate and store significant volumes of personal data including sensitive information, including patients' medical information. We are therefore subject to privacy laws and regulations and related security protocols with respect to the use, transfer and disclosure of protected health information intended to protect the confidentiality, integrity and availability of such information, and the privacy of the individuals.

Privacy regulations and related security protocols establish a complex regulatory framework on a variety of subjects, including:

- the circumstances under which the use or disclosure of protected health information is permitted or required without the specific freely given consent of the patient;
- a patient's rights to access, amend and receive a statement of certain disclosures of protected health information;
- requirements to notify patients of privacy practices for protected health information;
- administrative, technical and physical safeguards required of entities that use or receive protected health information; and
- the protection of computing systems that store protected health information.

The European data privacy regime under the European General Data Protection Regulation also impacts us and our operations.

Even if such data was not subject to the strict regime imposed by the Data Protection Act, a failure to comply with equivalent standards could harm our reputation and reduce the number of customers willing to purchase supplies from us. Furthermore, as our practice services unit sells supplies to dental practices with which our patient services unit competes directly, we need to maintain strict information barriers within the group and any breach of such barriers could lead to fewer customers being willing to transact with us.

If we do not adequately safeguard confidential patient data or other protected health information, or if such information or data is or are wrongfully used by us or disclosed to an unauthorised person or entity, our reputation could suffer and we could be subject to significant fines, penalties and litigation.

We are exposed to litigation risks, including litigation risks related to medical negligence and disputes with employees.

From time to time we are subject to various actual and potential claims, lawsuits and other proceedings relating principally to breaches of contract, breaches of employment legislation, common law causes of action for civil damages, negligence and personal injury, and other claims. Some of the claims, lawsuits and proceedings against us may involve claims for substantial monetary damages and the cost of defending against such claims has been and may be significant. Moreover, such claims could divert our senior management's attention from our day-to-day operations and negatively affect our business. If we fail in defending such claims, or, in the case of product liability claims related to supplies we sold, we are unable to successfully seek redress against the original manufacturer under any indemnification agreement that might be in place, it may result in substantial monetary damages, which may materially and adversely affect our financial condition and results of operations. Whether or not we are successful in defending against them, such claims may also cause significant damage to our reputation and result in

decreased demand for our dental services, thereby making it more difficult to attract dentists or tender for new NHS dentistry contracts.

Although we believe that our dentists are solely liable in the case of claims alleging medical or professional negligence, claimants may attempt to bring us into proceedings in respect of such claims.

Failures of our information technology systems, including cyber attack, other major incident, or failures resulting from system conversions under the new NHS dentistry contract, could disrupt our operations and cause the loss of UDA claims, customers, patients or business opportunities.

IT systems are used extensively in virtually all aspects of our business, including reporting, billing, patient information processing and storage, logistics and the management of systems monitoring our performance as well as the website through which customers order a substantial portion of the consumables and materials supplied by our practice services division. Our operations depend on the continued and uninterrupted functioning of our IT systems. As part of our efforts to increase our operational efficiency and leverage our economies of scale, upon each acquisition we have centralised and insourced a number of functions previously carried out by individual dental practices, including IT, compliance, regulatory, legal, finance, human resources, health and safety, risk management, talent sourcing, training, marketing, insurance and logistics functions. Whilst we believe centralisation and insourcing of these functions have made our operations more efficient, such activities have to a certain extent also made such functions more vulnerable to a catastrophic failure at the site or sites at which the IT systems underlying such functions are physically located. In addition, there is the risk that the process of centralisation and insourcing disrupts the normal functioning of our IT systems, resulting in losses of information or disruption to our operations. IT systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, human acts and natural disasters. Moreover, our IT systems may be subject to cyber attack through physical or electronic break-ins, computer viruses and other similarly disruptive problems.

We record and claim UDAs via our IT systems. If possible changes to the NHS dentistry contract are implemented we could be required to update our IT systems to address changes under the new regime. UDAs may only be claimed under the contracts from which they arose if such claims are made within one contract year of the service giving rise to the UDA claim. If, whether due to our inability to update our IT systems upon changes to the new NHS dentistry contract or to a failure of our information systems or otherwise, we are unable to claim UDAs by the required deadline, such UDAs may be lost, and we may underperform on the applicable contract. The result of such underperformance may include reduction in UDA volumes or even the loss of such contracts, which could have an adverse effect on our business, financial condition and results of operations.

We also sell a substantial portion of the consumables and materials supplied by our practice services division through The Dental Directory's website, and any failure of the IT systems underlying The Dental Directory's website could have an adverse effect on the business, financial condition and results of operations of our practice services division.

Failure to continue to comply with quality of care standards could adversely impact our reputation.

We are subject to a high level of regulation and oversight. The CQC is our primary regulator in England, with the equivalent regulators in Scotland, Wales and Northern Ireland being Healthcare Improvement Scotland ("HIS"), Healthcare Inspectorate Wales ("HIW") and the Regulation and Quality Improvement Authority ("RQIA"), respectively. The CQC, HIS, HIW and RQIA set quality of care standards and registration requirements that we are required to meet. Some of these standards are stringent, and require significant costs for us to comply with them. By law, our dental practices in England, Wales, Scotland and Northern Ireland must be registered and licensed with the CQC, HIS, HIW or RQIA, as applicable, to show that they are meeting certain essential standards of quality and safety. Non-compliance with such standards may result in a range of enforcement actions taken by the CQC, HIS, HIW or RQIA, ranging from fines and public admonition to facility closure, and could materially and adversely affect our business, financial condition and results of operations. Furthermore, those legal entities of the group which sell dental supplies to the group's and third party practices must be properly accredited in order to sell such products. In addition to the cost of compliance and fines or disruptions to our business, non-compliance, or alleged non-compliance, may lead to unfavourable national press coverage, which could have the effect of damaging our reputation with our patients and with NHS England, NHS Scotland, Health in Wales and Health and Social Care in Northern Ireland and which could materially and adversely affect our business, financial condition and results of operations. This effect could be exacerbated following the rollout of the mydentist brand across our patient services division's dental practices.

We may not be able to continually enhance our dental care practices with the most recent technological advances in dental care equipment, which could affect our growth prospects and our reputation.

Technological advances in dental care equipment can be rapid and requires a substantial investment of resources by dental practices. Such equipment costs represent significant capital expenditures for us. Rapid technological advances could render existing equipment obsolete earlier than anticipated and result in assessed impairment charges, which may have a material effect on our results of operations. If we are unable to purchase the necessary equipment, our reputation could be negatively affected, which could have a material adverse effect on our business, financial condition and results of operations.

Our inability to successfully roll-out our 'mydentist' brand strategy whilst retaining reputational control, particularly in respect of social media, could adversely affect our reputation, financial condition, business and results of operations.

The group launched the 'mydentist' brand identity in October 2014 and is in the process of rolling out the brand to each of our 672 dental practices with target completion during the first half of the financial year ending 31 March 2017. Our failure to manage the roll-out of the brand across our dental practices on time, within budget, or at all, could impact the ability of the group to generate a return on its investment which could adversely affect the financial condition. Once our dental practices are operating under a single brand indentity, the risk of damage resulting from our inability to retain reputational control of our brand will be significantly increased. This is exacerbated further through the increasing usage of social media. Our failure to retain reputational control over our brand could significantly impact our business, financial condition and results of operations.

Any change to the legal classification of contracts under our operating partnerships could have a material adverse effect on our business, financial condition and results of operations.

Certain of our clinical directors act as partners in dental practices which we acquire through partnership structures. This allows us to both exercise control over the partnership and maintain the NHS dentistry contract without assigning it to another party, which would require NHS England's consent. If our clinical directors were no longer willing to be identified as partners in our dental practice partnerships, due to, for example, the risks and liabilities associated with acting as partner (for example, in 2015, one of our partnerships was fined and involved in a criminal proceeding due to the inadvertent loss of registration of a partnership due to a technical error), and we were unable to replace them, we could effectively lose the benefit of the relevant NHS dentistry contract with the affected partnership. Additionally, as there is no direct contractual nexus between us and NHS England in respect of NHS dentistry contracts held by a partnership, payments for NHS dentistry services provided by a partnership have historically been made directly to accounts that belong to the relevant partnership, and for certain dental practices we acquired in the past, we have no direct control over these accounts, other than through our clinical directors. Whilst we modified the payments structure for acquisitions of dental practices that are partnerships from the start of 2014 onwards, this payment structure remains in place for acquisitions made prior to that date and any loss of payments could adversely affect our revenues, and therefore our financial condition and results of operations.

We rely on relevant NHS regulations that permit the transferability of NHS dentistry contracts between partners in a partnership to transfer contracts to our clinical directors. If such regulations were modified it could render us unable to transfer, and thereby benefit from, NHS dentistry contracts held by our partnerships. If we lost NHS dentistry contracts held by our dental practices organised as partnerships, which dental practices constituted approximately 24.0% of our practices at 31 March 2016, or the inability to transfer such contracts, it could materially and adversely affect our revenues, and therefore our financial condition and results of operations.

Our ability to grow our business relies significantly upon our acquisition strategy and there can be no guarantee that sufficient or appropriate acquisition opportunities will be available to us, that financing will be available on acceptable terms or that, once acquired, new businesses will be successfully integrated into our operations.

To date, growth in our dental practice estate has been largely attributable to the acquisition of other small and medium-sized independent dental practices and their integration into our existing network. We plan to continue to expand our business organically through similar acquisitions. During the year ended 31 March 2016, we completed the acquisition of 34 dental practices. During the year ended 31 March 2015, we acquired 66 dental practices which included the acquisition of the Denticare group of 26 practices.

The success of our acquisition strategy depends on the ability of our senior management to identify suitable acquisition candidates, to accurately assess the value, strengths, weaknesses, contingent or other liabilities and

potential profitability of such acquisition candidates, to obtain any necessary permits or approvals from bodies such as the NHS and the Competition and Markets Authority (the "CMA") to operate such acquisition candidates and to integrate the operations of such businesses once they are acquired. Our success in making additional acquisitions depends on the availability of, and competition for, suitable acquisition candidates. Successful integration of acquired practices will depend on our ability to effect any required changes in operations or personnel, and may require renovation or other capital expenditures or the funding of unforeseen liabilities. The integration and operation of any future acquisitions may expose us to certain risks, including the following: difficulty in integrating the acquired businesses in a cost-effective manner, including the establishment of effective management information and financial control systems; unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions; significant unexpected liabilities or contingencies arising from the acquisitions; potential disruptions to our ongoing business caused by our senior management's focus on the acquired companies; and post-acquisition performance not meeting our expectations or plans. There can be no assurance that our future acquisitions will be made on appropriate terms or at an acceptable cost or can be successfully integrated. A failure to identify appropriate acquisitions or to properly integrate them once acquired could have a material adverse effect on our business, results of operations, financial condition or prospects.

In addition to acquiring small and medium-sized chains of independent dental practices as part of our ongoing acquisition strategy, from time to time we may also enter into acquisitions of a larger scale or in complementary markets to our current operations. If we were to undertake such additional acquisitions, the risks associated therewith would be similar in nature to, but of a substantially greater magnitude than, those associated with our more routine acquisitions.

There can be no assurance that future acquisitions will be made on appropriate terms, or at an acceptable cost, or that the acquired businesses will be successfully integrated with the rest of our businesses. A failure to identify appropriate acquisition targets or to properly integrate them once acquired could have a material adverse effect on our business, results of operations, financial condition or prospects. For example, we have recently experienced an increase in the multiples vendors of dental practices require to sell their practices.

We are subject to competition legislation that affects our ability to acquire dental practices. Whilst the UK dental market is as a whole highly fragmented, we have a high market share of dental practices and UDAs in certain localities. The CMA, the UK's competition regulator, may review acquisitions we make for purposes of compliance with competition law. Following any such review, the CMA may prohibit us from making acquisitions in certain areas in which we have a high market share, or may require us to divest other dental practices if we do acquire new practices in such areas. This could limit our ability to acquire new dental practices and grow, particularly in markets we find attractive. If we do not comply with competition laws, we may be subject to significant sanctions.

We have historically financed acquisitions of dental practices through a variety of sources, including our own cash reserves and debt financing. Whilst we intend to continue to finance acquisitions from these sources in the future, we may have insufficient cash reserves to fund acquisitions and adverse market conditions or other factors may prevent us from obtaining debt finance on acceptable terms or at all.

If we are unable to implement our acquisition strategy, obtain sufficient financing or integrate acquired businesses successfully, our business and prospects for growth could be negatively affected.

The operations of our practice services division are subject to a significant level of competition and regulatory oversight, and are reliant upon transport and warehousing infrastructure in order to generate revenues.

Our practice services operations are subject to intense competition from other suppliers and distributors of dental and medical products and equipment. This competition can result in pricing and margin pressures or loss of customers as a result of competitor actions. There is also substantial competition for the services of experienced sales staff, the loss of whom could adversely impact our ability to retain customers. Any significant loss of customers is ultimately likely to have a materially adverse impact upon our revenues and results of operations.

Our practice services division is subject to regulatory oversight by the Medicines and Healthcare Products Regulatory Agency ('MHRA') in respect of the purchase, storage, sale and distribution of controlled drugs and medicines. Failure to comply with these regulations could result in fines or penalties, including the risk that we may no longer be able to supply certain or any controlled drugs or medicines. This could have a significant adverse impact upon our revenues and results of operations and could also result in the loss of customers to our competitors due to our inability to provide a complete range of the products and services they require. In addition, to the extent that we inadvertently supplied products that did not meet with regulatory requirements, we could be subject to warranty or compensation claims from our customers. Such claims could have a substantial adverse financial impact

upon the group and there could be no certainty that we would ultimately be able to recoup such losses from our suppliers.

Our warehousing, supply and distribution operations are also subject to the risk of disruption which could adversely impact our ability to fulfill customer orders and therefore adversely impact our results of operations. Disruption could result from a major incident, such as a fire, at our warehouse which is concentrated in a single location, or disruption to transport infrastructure, both in respect of goods arriving from suppliers, some of which are located overseas, and the delivery of goods to our customers. Such disruption could ultimately also result in the loss of customers to competitors and adversely impact our business, results of operations and financial condition.

Our competitors may not be willing to also be customers of our practice services division.

In the past several years, we have acquired a substantial presence in the dental practice service and supply market, primarily through the acquisitions of dbg and The Dental Directory. However, there is a risk, associated with this vertical integration since certain of our competitors could cancel their contracts with our dental practice services unit which would result in a decrease in our EBITDA. Following the acquisition of dbg and The Dental Directory, we initially experienced a loss of contracts with our competitors. To the extent a significant proportion of our practice services division's third-party dental practice customers cease conducting business with us, it could have an adverse impact on the business, results of operations financial conditions or prospects of our practice services division.

We rely on continued patient demand for dental care, and a decrease in patient demand, or an adverse change in the UDA band mix, that patients demand, could adversely impact our business, results of operations and financial condition.

Our future growth depends on our ability to maintain our existing high-quality services and, through successful sales and marketing activities, maintain increased demand for our dental services. Any number of factors such as health and safety incidents, problems in our dental facilities, negative media or social media coverage, or general patient dissatisfaction, whether legitimate or not, could lead to a deterioration in our reputation and the public perception of the quality of our dental services, which in turn could lead to a loss of business support for our operations. Any impairment of the value of our brand and registration could similarly have a material adverse effect on our business, results of operations, financial condition or prospects. Additionally, the possible transition to a new NHS dentistry contract and a business model that will focus more on quality care will make our UDA delivery more reliant on patient outcomes and feedback. Demand for our services, particularly for our private dentistry services, is also strongly dependent on macroeconomic factors. To the extent the demand for NHS dentistry services changes in such a way that it reduces the UDA band mix of services we provide, it could impact our UDA delivery rates and, therefore, our revenues. For example, as the UK economy has improved during the contract year ending 31 March 2016, we experienced a decrease in exempt patients who typically demand higher UDA bands since services are provided to such patients without a patient contribution. This change in the UDA band mix has impacted our UDA delivery rates and revenues from NHS dentistry services. There can be no guarantee that demand for our services will grow or continue, and any decrease in demand and any such failure could have a material adverse effect on our business, results of operations, financial condition or prospects.

Our costs of operations are subject to price inflation, but UDA values, which make up a majority of our revenue, are subject to UK Government determination which may not reflect the actual inflation rate, resulting in increases to our cost of doing business that we are unable to pass on, which could adversely affect our results of operations and financial condition.

We are subject to price inflation in the purchase of our materials and services and to inflation in respect of the fees paid to our dentists and the wages paid to staff. At the same time, a significant portion of our revenue is paid under NHS dentistry contracts with prescribed annual adjustments for UDA values for inflation. Historically, the UDA contract uplift recommendations made by the Review Body on Doctors' and Dentists' Remuneration (the "DDRB"), an independent review body that made recommendations to the Department of Health, were implemented. However, more recently the DDRB's recommendation as to contract uplifts have not been followed, and the contract rates have been set by the UK Government. If increases under our NHS dentistry contracts do not meet the price inflation and fee and wage inflation we experience in our business, the result would be an erosion of our profitability as the price we are paid for our services would decline in real terms. Depending on the quantum of inflation we experience, this could have an adverse effect on our business, financial condition and results of operations.

The introduction of a national living wage in April 2016 will increase our staff costs, as will any future increases in minimum wages or wage inflation or wage levies.

Tthe National Living Wage took effect in the United Kingdom in April 2016, raising the minimum hourly wage for workers aged 25 and over to at least £7.20 per hour. Staff under age 25 will continue to receive the National Minimum wage. These increases will be rolled out across our staff, and will primarily affect wages paid to our dental nurses and support staff, thereby increasing our staff costs. While we expect this to benefit our retention among these groups, our staff costs will immediately increase, with the impact across our business expected to be approximately £0.6 million in the NHS dentistry contract year ending 31 March 2017. In addition, in the contract year ending 31 March 2018, we will be required by legislation to pay an additional 0.5% of our total pay bill to the apprenticeship levy. To the extent that further increases in wages or wage levies are mandated, or to the extent that wages increase with inflation, it could have an adverse impact on our results of operations.

We may be subject to claims for recoupment of amounts paid under NHS dentistry contracts.

We are paid for NHS dentistry services under each of our 597 NHS dentistry contracts in equal monthly instalments of our annual contracted value. As such, we may receive payment for services not yet rendered, or for services that will not be rendered. Following the close of the contract year, we may be subject to claims for recoupment of amounts paid under NHS dentistry contracts where we were overpaid in respect of underperformance of UDA delivery. If we are found to have been overpaid in respect of a NHS dentistry contract, such sums may be subject to recoupment by NHS England. Amounts claimed in respect of such recoupment may be significant, and if we do not have cash or financing available at the time the recoupment is required, it may be difficult for us to repay such amounts. In addition, if a dentist working in one of our dental practices fraudulently claims UDAs in respect of services not actually performed, we may be liable for reimbursing NHS England for amounts received in respect of such NHS dentistry contract, and we may be unable to effectively recoup our losses from the fraudulent dentist.

Certain of our operations are capital intensive and require significant capital investment and planning to support successful growth.

Our existing dental practices require expenditures on maintenance to repair ordinary wear and tear, to upgrade outdated equipment and to standardise the suite of dental equipment across our estate. For the year ended 31 March 2016, our maintenance capital expenditure was approximately £22.2 million (2015: £20.6 million). Similarly, acquisitions of dental practices also require a certain amount of upfront capital expenditure, with the average three-chair practice acquired requiring approximately £50,000–£100,000 in capital expenditure. When we grow organically through new contract acquisition and new builds, or merge together existing practices, considerably more capital expenditure, up to £400,000 or more, is required. We have also increased capital expenditures in connection with our rebranding as “mydentist”, with approximately £40,000 spent on each site rebranded. Our central support functions, particularly our IT systems, also require regular capital expenditure. If we do not generate sufficient cash flow from our operations or have funds available for future borrowing under our existing credit facilities to cover these capital expenditure requirements, we may not be able to make such capital expenditures, which may negatively impact our competitive position and, ultimately, our revenues and profitability. Moreover, to the extent that our investment in capital expenditure does not generate the expected levels of returns in terms of efficiency or improved cost profile, or it takes longer to achieve such expected levels, there could be an adverse effect on our business, financial condition, results of operations and prospects.

We operate in a highly fragmented and competitive environment in certain geographic regions, and an inability to compete successfully with our competitors in these regions could result in a loss of market share, contracts or patients.

The dentistry industry in the United Kingdom is highly fragmented and competitive, particularly in certain geographic areas. Whilst we do not compete with any one competitor in each of the local markets in which we operate, our competitors include other national Dental Bodies Corporate (“DBCs”) as well as regional and local independent dental practices, and we face current and prospective competition for patients and contracts from these competitors. In the current competitive environment, the principal market risk is that another entrant may look to replicate our acquisition and growth strategy and be of sufficient size as to offer a credible alternative to practice heads looking to sell their business. Among other risks, the presence of such a competitor could cause the average cost of each acquisition to increase, making it harder for us to make cost effective acquisitions at the rate to which we have become accustomed. In certain regions of the United Kingdom, we believe there has been an over-commissioning of UDAs, which has resulted in intense competition in those areas for patients. Our practice services

division operates in competition with certain national and regional companies including specialists in certain areas. In particular, some of our competitors, have developed a strong presence online and have sought to provide a "one-stop-shop" solution for customers, which could allow them to expand their market share. If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

Our inability to retain senior management could adversely affect our operations.

We rely upon the experience of our senior management team to identify acquisition opportunities, maintain relationships with key players in the dentistry industry and understand the technical and strategic elements of our business. Whilst we have attempted to establish policies and remuneration schemes designed to retain and properly incentivise our management team, no assurance can be given that these strategies will be effective in retaining key members of management. If one or more of our executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily, and our business may be disrupted, which may materially and adversely affect our results of operations and financial condition. In addition, if any of our executives or other key personnel joins a competitor or forms a competing company, we may lose know-how and other key members of management, which may also have an adverse effect on our business, financial condition and results of operations.

An exit from the EU by the United Kingdom could impact our operations.

The UK government has committed to hold a referendum on 23 June 2016 on whether the United Kingdom will remain in the EU, and we face risks associated with a vote to exit the EU. For example, the exit of the United Kingdom from the EU could trigger a decrease in the value of the pound and because a significant proportion of our practice services division's supplies are purchased on a wholesale basis in euros and dollars, such a decrease could effectively increase the cost of sales for our practice services division. The exit of the United Kingdom from the EU may also make it more difficult to source dentists from outside the United Kingdom. Finally, if the United Kingdom chooses to leave the EU, Scotland may choose to leave the United Kingdom, which could raise risks for our dental practices in Scotland. Any of these risks could result in higher operating costs and could have an adverse effect on our business, financial condition, results of operations and prospects.

Weakness in economic conditions could adversely affect demand for our services, which could in turn adversely affect our business, financial condition and results of operations.

An economic downturn in the United Kingdom or continuing UK Government austerity measures would increase the risks associated with our business, including the risk of reduced levels of government funding for the NHS and the risk of a lack of demand for our dental services generally. Most patients, unless exempt, are responsible for contributing to the cost of the dental services they receive. Even if government funding for dentistry is not significantly affected, macroeconomic weakness and high unemployment rates may result in non-exempt patients who are unable or unwilling to make their required contributions to the cost of their dental services, thereby driving down demand for dental services and affecting our UDA delivery rates. More generally, a decrease in household disposable incomes, or the perception thereof, in times of economic downturn can lead to a reduction in individuals' healthcare expenditure, which has had and could have in the future a negative impact on more discretionary spending, such as spending on our private dentistry services.

A downturn in the overall dental sector, or wider UK healthcare market, could also impact the operations of our practice services division by reducing demand for the products and services we supply. A reduction in demand could adversely impact our revenues and results of operations either through us reducing our sales prices, and therefore our margins, to maintain volumes, or through reduced sales volumes or through a combination of both.

Loss of our ability to use certain properties subject to long-term leases through reclamation by the landlord could adversely affect on our business.

The majority of our dental practices and warehouses are situated on leased properties. A typical lease has a term of approximately 15 years in length. As with all leases, the landlord is entitled to serve notice to reoccupy the property at the end of the lease term. If landlords in respect of such properties chose to exercise their rights under such clauses, our dental practices may have to relocate to an alternative site and find other surgery space, perhaps upon short notice. In particular, this risk could materialise in situations where the landlord is also a dentist who previously sold the practice to us. He or she may exercise his or her right to reclaim the leased surgery space and it may be difficult for us to reopen the dental practice in a timely manner and we would have the additional challenge of a

competing dental practice in the space where our dental practice previously traded in the event the dentist secures an NHS dentistry contract.

Our business and results of operations are subject to seasonal factors, and extreme weather conditions can affect our levels of activity and hence our revenue.

Historically, our revenue has been somewhat seasonal as dentists typically push to reach their UDA levels by working more intensively during the fourth quarter of each year. Our patients are less likely to attend or make dental appointments during inclement or severe weather conditions, particularly when transportation is disrupted. During such periods, we tend to experience a decrease in demand for our dental services and a reduction in our revenue, particularly in UDA delivery rates. If such weather events occur near the end of the contract year, we may experience difficulty achieving our annual UDA delivery targets.

In addition, our practice services division's warehousing and logistics facilities are at risk from localised instances of extreme weather or natural disasters.

Our insurance may be inadequate to cover future liabilities and our insurance premiums may increase substantially.

We may be subject to significant losses from claims, liabilities, hazards and disasters. Whilst we currently maintain insurance which we believe is adequate and consistent with industry practice, we may experience losses in excess of our insurance coverage or claims not covered by our insurance. Furthermore, there can be no assurance that we will be able to obtain insurance coverage in the future on acceptable terms or at all. Any such losses not covered by insurance may have a material adverse effect on our financial condition and results of operations.

A substantial portion of our assets are represented by goodwill, and we may never realise the full value thereof or we may be required to write down the value of our goodwill.

We have recorded a significant amount of goodwill. Total goodwill, which represents the excess of cost over the fair value of the net assets of the businesses we acquire, was £339.0 million as at 31 March 2016, or 34% of our total assets.

We perform goodwill impairment testing on an annual basis. If we were to conclude that a future write-down of our goodwill is necessary, we would have to record the appropriate charge, which could result in a material adverse effect on results of operations. A write-down of our goodwill may result from, amongst other things, deterioration in our performance or a decline in expected future cash flows.

Changes in tax law related to the deductibility of certain types of interest may result in increased tax costs.

Under UK law, interest payments in respect of indebtedness are generally deductible from taxable profits. If, however, a company is considered thinly capitalised—that is, if it has more debt than it either could or would borrow acting in its own interests—the deductibility of interest on amounts of debt considered "excessive" (or greater than would arise if the company was acting at arm's length from the lender) may be treated as distributions of equity instead of interest in respect of indebtedness for tax deductibility purposes. The determination of whether a company is thinly capitalised is made on the basis of a company's self-assessment, negotiated with HMRC, of its true, arm's-length borrowing capability, as if it were borrowing on a stand-alone basis from a third-party lender. Amounts of interest paid on debt in excess of such borrowing capability are treated as distributions on equity and are not deemed to be deductible for tax purposes. At present, we negotiate with HMRC the amount of interest under our Subordinated Shareholder Loans that is not paid on indebtedness in excess of our borrowing capability and that therefore may be deducted for tax purposes. We have an agreement in place with HMRC in respect of tax year 2012-2013. The position in respect of 2013-2014, 2014-2015, 2015-2016 and future tax periods is subject to ongoing discussions with HMRC. However, if the law, which is currently under review, were to change to standardise or reduce the amount of indebtedness considered "excessive", we may no longer be able to deduct as much, if any, interest accrued under our Senior Secured Notes or Subordinated Shareholder Loans, which would effectively increase the amount of taxes we pay on our taxable profits.

We may not be able to tender for new NHS contracts if we do not comply with applicable laws.

The UK Government has implemented a procurement policy requiring potential suppliers of goods and services to the government, including us as providers of NHS dentistry services, to self-certify their recent tax compliance history as part of contract tender processes, and to comply with health and safety equality and other laws. If we do not comply with such laws, we may not be able to participate in tenders for new NHS dentistry contracts, which could adversely affect our results of operations and prospects.

We could be adversely affected by violations of anti-bribery laws or violations of other government regulations by our employees.

Anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-bribery laws. We operate a large number of dental practices throughout the United Kingdom and rely on our management structure, regulatory and legal resources and effective operation of our compliance programme to direct, manage and monitor the operations of our practices and the activities of our dentists and employees. Despite our training, oversight and compliance programmes, however, we cannot ensure that our internal control policies and procedures will always protect us from deliberate, reckless or inadvertent acts of our employees or dentists that contravene our compliance policies or violate applicable laws. Violations of these laws, or allegations of such violations, could result in a material adverse effect on our business, financial condition, results of operations or prospects.

We may be subject to organised action by our dentists or other employees, which could decrease our profitability and negatively affect our results of operations.

Self-employed dentists working in our dental practices could act collectively to demand a higher portion of contracted fees for the services they perform in our dental practices. Whilst none of our employees are currently unionised, no assurance can be made that such employees will not become unionised in the future. Any such collective action or unionisation by our self-employed dentists or employees, whether targeting us specifically or not, could have the effect of increasing our costs, thereby adversely affecting our results of operations.

The interests of our shareholders could conflict with your interests.

A majority of our equity interests are beneficially owned by Carlyle and Palamon. See “Principal shareholders”. As a result, Carlyle and Palamon are able to control matters requiring shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers and acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of both Carlyle and Palamon could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, Carlyle or Palamon could cause us to pursue acquisitions, divestitures, financings, dividend distributions or other transactions which, in their respective judgement, could enhance their equity investments, even though such transactions might involve risks or decrease the market value of the Notes. Such transactions may not trigger a “Change of Control” under the Senior Secured Notes Indenture. Furthermore, Carlyle or Palamon may sell all or any part of their respective shareholding at any time or look to reduce their holding by means of a sale to a strategic investor, an equity offering or otherwise.

We are exposed to currency fluctuation risks that could adversely affect our profitability.

Our practice services division is subject to a certain degree of foreign exchange risk related to purchases of consumables and materials in euros and US dollars. We generate revenue in pounds sterling and, because of this, we are unable to match purchases made using euros or US dollars with revenue generated in these currencies. Significant changes in the value of the pound sterling relative to the euro or US dollar could adversely affect the results of operations of the practice services division. Although it is the group’s policy is to hedge the pound sterling equivalent costs of a proportion of our foreign currency purchases using vanilla foreign exchange derivative contracts, in order to reduce uncertainty over future cashflows, there can be no certainty that significant fluctuations in foreign exchange rates will not have a materially adverse impact upon our results of our operations.

Risks related to our industry

Any change in the employment status of dentists in our dental practices could have an adverse effect on our business, financial condition and results of operations.

Our dentists are self-employed, independent contractors. Because of their non-employee status, we do not pay pension contributions, employer National Insurance contributions, holiday pay or medical negligence insurance in respect of our dentists, and our dentists do not have the rights of employees under the Employment Rights Act 1996. If HMRC reassessed our business model and objected to the self-employed status of the dentists in our dental practices it could lead to significant costs and tax consequences for our business. In addition, we have in the past been subject to conflicting, non-precedential employment tribunal determinations regarding the employment status of our dentists. To the extent employment tribunals would begin to consistently consider dentists to be our employees, we may also be exposed to new areas of liability under employment law. The occurrence of any of the foregoing would materially and adversely impact our business, financial condition and results of operations.

Changes to Value Added Tax ("VAT") legislation, or the judicial interpretation of VAT legislation, resulting in the application of VAT in respect of the services we provide to our dental practices could have an adverse impact on our results of operations.

VAT is a tax charged on most business transactions in the United Kingdom. A hypothetical VAT-registered business adds VAT to the prices at which it sells its goods and services and reclaims the VAT it pays for the goods and services it purchases. The current standard rate of VAT in the United Kingdom is 20%. Dentistry, however, is a VAT-exempt service under applicable VAT legislation, which means that most dental services are exempt from VAT and charges for supplies amongst groups of dentists are exempt from VAT provided that they relate to the provision of services or facilities that are predominantly medical in nature and are necessary to allow the recipient of such services and supplies to perform dentistry. We have structured our operating subsidiaries such that two of our operating subsidiaries, Petrie Tucker and Partners Limited ("PTPL") and Whitecross Dental Care Limited ("Whitecross"), provide services in terms of payroll, the provision of supplies and estate management, amongst others, to the majority of our dental practices. Under this arrangement, we consider the services provided by PTPL and Whitecross to be VAT exempt, insofar as they relate to the provision of services or facilities that are predominantly medical in nature and are necessary to allow the recipient of such services and supplies to perform dentistry. If, however, HMRC successfully challenged our VAT-exempt status, the costs of our operations would effectively increase by an additional 20%, which would materially and adversely impact our business, financial conditions and results of operations. In addition, if VAT rates were to increase our cost base would be negatively affected to the extent of such increase, and we would not be able to recover such increase in VAT costs.

We are in the process of negotiating sectorised partial exemption schemes with HMRC in connection with integrating dbg and The Dental Directory into our VAT group. If we are unable to integrate dbg and The Dental Directory into our VAT group as expected, we would lose a portion of the expected benefits of these acquisitions.

We are subject to numerous legal and regulatory requirements governing our activities. If we fail to comply with such requirements, we may be subject to substantial fines or sanctions which could have a material adverse effect on our financial condition and results of operations or could impact our ability to conduct our business.

The provision of our dental services is subject to a high level of regulation and oversight. These regulatory requirements relevant to our business cover the entire range of our operations, from the initial acquisition of new practices, which are subject to registration and licensing requirements, to the sourcing of dentists and the recruitment and appointment of dental support staff, occupational health and safety, duty of care to patients, clinical standards, the conduct of our dentists, other dental professionals and support staff, and other stringent requirements. The majority of our operations are regulated by the same body, the CQC, or its equivalent in Scotland (HIS) and Wales (HIW). We are also subject to regulations imposed by the Health and Safety Executive, which is the national UK independent regulator for health and safety in the workplace and some legal entities may be required to hold a license with Monitor, the health sector regulator in the UK. Furthermore, new legislation, regulations, regulatory systems or regulatory bodies may be introduced and we are unable to predict their content or their effect on our business. There can be no assurance that our operations will not be adversely affected by regulatory developments.

A failure to comply with government regulations or the receipt of a negative report that leads to a determination of regulatory non-compliance or the failure of any of our dental practices to cure any defect noted in an inspection

report, for example, could result in reputational damage, fines and/or the revocation of the licence of any of our dental practices.

Regulatory action could also result in our management deciding to cease providing dental services in a particular region or to close a particular practice because of negative publicity or regulatory sanction. In addition, regulatory action in relation to one or more of our practices, regardless of the substantive merit or the eventual outcome of such action, may have a material adverse effect upon our reputation and brand and our ability to attract and/or retain patients, expand our business or seek licences for new dental practices, either nationally or within the regional area in which the dental service which is subject to the regulatory action is located. Any failure to comply with applicable regulations could have a material adverse effect on our business, financial condition, results of operations or prospects.

Our operations are also subject to regulation from the Financial Conduct Authority ("FCA") in respect of the brokering of consumer credit for high value private dentistry treatments and from the Payment Card Industry Security Standards Council in respect of the receipt of electronic card payments. Failure to comply with these requirements could adversely impact our ability to offer certain high value private dentistry treatments and/or to receive electronic card payments which comprise a substantial proportion of our private dentistry revenues, practice services revenues and patient charges for NHS treatment.

The terms of any new NHS dentistry contract, are uncertain, and the final terms of any such new NHS dentistry contract could be different from those we expect, which could have undesirable consequences for us and could result in material changes to our business.

The UK Government is currently reviewing the regulatory framework related to NHS dentistry and the NHS dentistry contract, with the goal of making NHS dentistry more efficient, accessible, high quality and focused on preventative care. In October 2015, the government commenced a prototype trial process as the next stage in the reform of the NHS dentistry contract. We currently anticipate that this process will evaluate the proposed contract over the next two to three years, although it is not yet certain if or when a new NHS dentistry contract will be introduced and adopted by an Act of Parliament. As with any significant regulatory change, there exists the risk that we may not be able to adapt to the change, or the change may prove costly or limit our ability to execute our business model and strategy. For example, the UK Government has indicated that, under the prototype trial, a partial move away from compensation based on UDA volumes may be introduced, and instead dentists will also be rewarded based on a combination of number of patients registered, number of patient visits and quality metrics that measure clinical patient outcomes and the quality of the patient experience. The UK Government and the GDC have also indicated that non-dentist staff such as hygienists will be able to carry out preventative services without a referral from a dentist, potentially adding competition to dental practices by independent hygienists. Since the final terms of any proposed new NHS dentistry contract are uncertain, we cannot anticipate all risks that might arise upon the adoption of any such new NHS dentistry contract, including risks that may specifically target our business model, and we cannot provide assurance that dentistry will remain under the purview of the NHS. If any such new NHS dentistry contract has terms different from those we expect, our business, financial condition and results of operations could be materially adversely affected, and it could result in material changes to our business, financial condition, results of operations or prospects.

We rely on contracts with publicly funded entities in the United Kingdom such as the NHS for a substantial proportion of our revenues, and changes to levels of funding or funding priorities under such contracts could adversely affect our business, results of operations and financial condition.

NHS dental services accounted for 68.3% of our total revenues for the year ended 31 March 2016. Overall NHS spending is currently significantly constrained as a result of the UK Government's efforts to reduce government spending. Although the UK Government has pledged to increase expenditure on the NHS by £8 billion by 2020, the existing financial constraints are likely to remain in place for the foreseeable future. While dental expenditures have not declined in nominal terms, contract uplifts have not kept up with inflation, resulting in a decline in the price paid for our NHS dentistry services in real terms. Any decline in government funding for NHS dentistry services, whether in nominal or real terms, could result in lower overall volumes of UDAs, lower prices per UDA, fewer new contract tenders or other measures that could cause declines in our revenue and materially adversely affect our business, financial condition and results of operations. Such a decline in nominal or real terms of NHS dentistry spending would also have a direct negative impact on our practice services division, as some of the division's largest customers are NHS affiliates, and an indirect impact on our practice services division, as a reduction in revenues for dental practices could cause them to reduce their purchases of non-essential supplies and work to reduce their overall supply costs, including services and supplies purchased from the group.

In addition, approximately 7% of our NHS dentistry contracts, principally providing orthodontic treatments and covering approximately 5% of our revenue for the year ended 31 March 2016, are Personal Dentistry Services ("PDS") contracts, which are typically fixed term contracts with a period of three to five years. These contracts are therefore subject to periodic competitive re-tender. Our failure to successfully re-tender for these contracts as they expire could adversely affect our revenues and results of operations in the future.

We may become subject to additional regulation by Monitor, the health sector regulator in the UK, which could restrict our future growth through acquisitions because of our high-level indebtedness, result in additional regulatory oversight, increase our costs and limit our ability to grow.

The Health and Social Care Act 2012 sets out Monitor's core responsibilities as the sector regulator of NHS-funded health care services and tasks Monitor with promoting the provision of health care services that are economic, efficient and effective. The legislation provides that all NHS providers of health care services must hold an NHS provider licence issued by Monitor, unless they are exempt.

On 1 April 2014 The National Health Service (Licence Exemptions, etc.) Regulations 2013 came into force and the regulations set out exemptions to the requirement for a provider of NHS services to hold a licence with Monitor. Regulation 5 exempts persons providing "primary dental services" commissioned by (or under delegated authority from) NHS England in accordance with Part 5 of the NHS Act 2006 as NHS England is already well-placed to enforce standards equivalent to those included in Monitor's standard licence conditions. This means that where a legal entity is providing private dental services under Part 5 of the NHS Act 2006 (i.e., pursuant to a GDS Contract) there is no requirement for that legal entity to hold a licence. However, if the legal entity provides other NHS services, it will require a licence unless it qualifies for another exemption. For example, Regulation 8 exempts providers whose revenue from supplying NHS services is less than £10 million in a relevant business year from the requirement to hold a licence.

The legal entity providing the NHS services is the legal entity that must be licensed. For example, where a provider is part of a wider corporate group, such provider will need to be licensed in its own right if it is the legal entity responsible for providing the services (rather than the parent company) and in the case of partnerships, each partnership which provides NHS services must be licensed unless an exemption applies. The licence sets out the conditions the licence-holder must meet in order to provide NHS-funded services and examples of standard conditions include obligations about pricing and anti-competitive behaviour. If any legal entity owned by us is regulated by Monitor, we could be subject to potentially significant costs of compliance and monitoring. In addition, based on Monitor oversight of other UK healthcare sectors, regulation by Monitor may entail financial and clinical health checks of our business, and Monitor may prohibit us from participating in new contracts, transferring contracts or acquiring new dental practices because of our high level of indebtedness. If these or other circumstances were to materialise, they could materially and adversely affect our business, financial condition and results of operations.

Risks related to our capital structure

Our substantial indebtedness could have a material adverse effect on our financial health and could prevent us from fulfilling our obligations with respect to the Floating Rate Notes and the Senior Secured Notes Guarantees.

We continue to have a significant amount of outstanding debt with substantial debt service obligations. At 31 March 2016, we had an aggregate principal amount of third-party financial debt of £539.0m outstanding excluding accrued interest and unamortised debt issuance costs. We also had a further £59.2m available for borrowing under the Revolving Credit Facility.

Our significant leverage could have important consequences for our business and operations and for you as a holder of the Notes, which may include, but may not be limited to:

- subjecting us to additional regulation or oversight or limiting our ability to acquire or transfer NHS dentistry contracts;
- making it more difficult for us to satisfy our payment obligations with respect to the Notes, the Revolving Credit Facility and our other debts, liabilities and obligations;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments for the service of our debt, thus reducing the availability of our cash flow to fund investments in our business and for other general corporate purposes;
- limiting the availability of funds for our working capital, capital expenditures, investments, acquisitions and our other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, patient demand, competitive pressures and the patients we serve;
- placing us at a competitive disadvantage compared to any of our competitors that have lower leverage or greater financial resources than we have;
- increasing our vulnerability to general and industry-specific adverse economic conditions;
- negatively impacting credit terms with our creditors; and
- limiting our ability to borrow additional funds and subject us to financial and other restrictive covenants.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including our obligations in respect of the Floating Rate Notes and Senior Secured Notes Guarantees.

Despite our current level of debt, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, and impair our ability to operate our businesses.

We and our subsidiaries may be able to incur substantial additional debt in the future. Although the Revolving Credit Facility Agreement and each of the Indentures contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of debt that could be incurred in compliance with these restrictions could be substantial and we may be able to secure such additional debt with Collateral or other assets. Under the Indentures, in addition to specified permitted indebtedness, we are able to incur additional indebtedness so long as, at the time of the incurrence, on a pro forma basis, our fixed charge coverage ratio (as defined in each of the Indentures) is at least 2.00 to 1.00, and in the event such indebtedness is secured indebtedness, our consolidated senior secured leverage ratio (as defined in each of the Indentures, which, amongst other things, exclude certain specified permitted indebtedness from the calculation of such ratio) is no more than 4.75 to 1.00. Under the terms of the Indentures, we are permitted to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the Indentures. Moreover, some of the debt we may incur in the future could be structurally senior to the Notes and may be secured by collateral that does not secure the Notes. In addition, the Indentures and our Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those agreements. The incurrence of additional debt would increase the leverage-related risks described in this Annual report.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make principal or interest payments when due on our indebtedness, including amounts drawn under the Revolving Credit Facility Agreement and our obligations under the Senior Secured Notes (including the Floating Rate Notes) and the Second Lien Notes, and to fund our ongoing operations, will depend on our future performance and ability to generate cash which, to a certain extent, is subject to regulatory general economic, financial, competitive, legislative, legal and other factors, as well as other factors discussed in these "Risk factors", many of which are beyond our control. In addition, upon the maturity of the Revolving Credit Facility, or any replacement credit facility, the Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to, amongst other things:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of our debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished on a timely basis, on satisfactory terms or at all. In addition, the terms of our existing and future debt, including those terms contained in the Indentures and the Revolving Credit Facility Agreement, may limit our ability to pursue any of these alternatives.

If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including under the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all our debts.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. For a discussion of our cash flows and liquidity, see "Management's discussion and analysis of financial condition and results of operation—Liquidity and capital resources".

The Floating Rate Notes and drawings under the Revolving Credit Facility Agreement bear, and any future variable interest rate debt we incur will bear, interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

The Floating Rate Notes and drawings under the Revolving Credit Facility Agreement bear interest at floating rates of interest per annum equal to GBP LIBOR, as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. There can be no assurance that hedging will be available on commercially reasonable terms or at all, or that we will enter into any interest rate hedging. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow. In connection with the 2013 Notes issuance, and to hedge our variable interest rate exposure under the Existing Senior Secured Floating Rate Notes, we amended the terms of our previous interest rate swaps and rolled them into a new, four-year, £125.0 million interest rate swap. No assurance can be made that we will be able to roll over this interest rate swap upon its expiration in June 2017 on acceptable terms or at all. We also rolled over the mark-to-market balance owed under our previous interest rate swaps into the new interest rate swap. As at 31 March 2016, we estimate the mark-to-market balance owed under our existing interest rate swap to be £2.0 million (2015: £3.1 million).

The manner of calculating GBP LIBOR is under review by European regulators and others. There can be no assurance that GBP LIBOR will continue to be calculated as it has been historically, if at all.

We are subject to restrictive covenants which limit our operating and financial flexibility.

Our Revolving Credit Facility Agreement and each of the Indentures contain covenants which impose significant restrictions on the way we operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- in the case of the Second Lien Notes, layer debt of the Issuer and the Guarantors;
- make certain payments, including dividends or other distributions;
- make certain investments or undertake acquisitions, including participating in joint ventures and undertaking capital expenditure;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- agree to limitations on the ability of our subsidiaries to make distributions;
- sell assets, or consolidate or merge with or into other companies;
- sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis;
- complete a change of control;
- issue or sell share capital of certain subsidiaries; and
- create or incur certain liens.

Any future indebtedness may include similar or other restrictive terms. These restrictions could materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities or consummate transactions that may be in our best interests.

In addition, the Revolving Credit Facility Agreement requires us to maintain a specified maximum ratio of drawn super senior debt to EBITDA before non-underlying items, tested quarterly. Our ability to meet that financial ratio can be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. A breach of any of those covenants, ratio or restrictions could result in an event of default under the Revolving Credit Facility Agreement. Upon the occurrence of any event of default under the Revolving Credit Facility Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the Revolving Credit Facility Agreement and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, a default under the Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including under the Senior Secured Notes Indenture and the Second Lien Notes Indenture. If our creditors, including the creditors under the Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay those amounts in full, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed to enforce the security interest in any Collateral granted to them to secure repayment of those amounts.

These covenants could affect our ability to operate our business and may limit our ability to react to market conditions or regulatory developments or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations; pursue acquisitions, investments or alliances; restructure our organisation; or finance our capital needs.

Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of IDH's financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and the related notes thereto contained in this Annual report.

Certain information in the discussion and analysis set out below includes forward-looking statements that involve risks and uncertainties. See "Forward-looking statements" and "Risk factors" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this Annual report.

Overview

The group is organised into two distinct business units. Our patient services division offers a wide range of NHS and private dentistry services to patients and our practice services division provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division. For the year ended 31 March 2016, the group recorded revenue of £565.9 million and generated EBITDA of £80.2 million.

Through our patient services division, we are the leading provider of dental services in the United Kingdom, with 597 NHS dentistry contracts across our network of 672 dental practices throughout England, Scotland, Wales and following an acquisition in the year ended 31 March 2016, Northern Ireland. We have a market share of approximately 6% in terms of number of dental practices and 8.2% in terms of revenues. At 31 March 2016, 418 practices operated under the "mydentist" brand. Our dentists offer a broad range of primary care dental services in our dental practices, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. We operate in the UK dental market, which benefits from stability in terms of volume and pricing and from increased government focus on improving access to dental services. During the year ended 31 March 2016, the patient services division contributed revenue of £472.7 million and EBITDA of £69.8 million, before the elimination of intragroup trading, to the group results.

Our patient services division's core business is the provision of primary care dental services under long-term contracts with NHS England, which we refer to as "NHS dentistry services". NHS dentistry services accounted for 68.3% of our group revenue for the year ended 31 March 2016. The majority of our dental practices also provide private dentistry services, including general dentistry, hygienist, and cosmetic and specialist services, such as sedation, implants and orthodontics. Private dentistry services accounted for 15.3% of our group revenue for the year ended 31 March 2016. 86% of our dental practices are located in England, with 6% in Scotland, 7% in Wales and 1% in Northern Ireland.

We provide NHS dentistry services in England and Wales pursuant to contracts competitively tendered with the NHS specifying targeted annual volumes of units of dental activity ("UDAs") for the contracted dental practice or entity. We refer to these contracts as "NHS dentistry contracts". Unlike other UK health subsectors, such as care homes, there is no single NHS dentistry contract. Instead, our individual dental practices enter into separate NHS dentistry contracts with NHS England (or, in the case of Wales, with Welsh health boards). As at 31 March 2016, our dental practices were contracted under 597 such NHS dentistry contracts. Each NHS dentistry contract in England and Wales for UDAs specifies a fixed UDA volume per year target, and each UDA delivered under an NHS dentistry contract is assigned a fixed value in a given year, with the number of UDAs per treatment varying based on the treatment provided. Approximately 93% of our NHS dentistry contracts, covering 59% of our revenue in the year ended 31 March 2016, consist of general dentistry services ("GDS") contracts, which we refer to as "evergreen" as they have no fixed term and roll over indefinitely so long as 96% (95% in Wales) of the UDA performance targets are met. If the performance target is not achieved three times, then the contract could be terminated or the number of contracted UDA's renegotiated. None of our GDS contracts have ever been terminated. UDA rates are set annually and historically have benefited from annual price increases ("contract uplifts"), with the contract uplift for the contract year ending 31 March 2016 constituting a 1.34% increase over the prior contract year for England (with an uplift of 1.60% in Scotland). Unlike other UK healthcare sectors, NHS dentistry services providers benefit from individually negotiated contracts.

We are paid for our NHS dentistry services in equal monthly installments of our annual contracted value. This results in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying the related costs. Private dentistry services are typically paid for by the patient prior to treatment.

A typical dental practice for us has three or more dental chairs, with three or four self-employed, independently contracted dentists offering primary care dental services under an NHS dentistry contract, supported by three to four nurses employed by us. As at 31 March 2016, over 2,600 self-employed, independently contracted dentists worked in our dental practices, supplemented by approximately 200 dentists not assigned to a single practice, which we refer to as "locums", and supported by approximately 6,750 dental and central support staff. In addition, approximately 450 hygienists work across our dental practices.

We own the NHS dentistry contracts and infrastructure of our dental practices and employ the dental support staff, whilst contracting with self-employed dentists for provision of dental services. We believe our business model is attractive to dentists as we enable them to focus on dentistry by taking on the administrative, regulatory and compliance burdens associated with running a dental practice. Amongst our most significant costs are dentist fees and costs for laboratory work and materials, all of which are directly linked to volumes of sales and activity.

In connection with our strategy to drive value and grow our business through acquisitions of suppliers of consumables, materials, equipment and services, on 17 April 2014, we acquired The Dental Directory, a distributor of dental consumables and materials to dental practices throughout the United Kingdom. The Dental Directory, together with dbg, formed the group's practice services division.

The Dental Directory distributes a catalogue of approximately 25,000 products from its central logistics platform through its on-line and mail order service, including dental consumables, specialist products including orthodontics and oral hygiene and implant products and dentistry equipment ranging from dental chairs and cabinetry to digital imaging systems. The Dental Directory also carries out services such as installation and maintenance and has a handpiece repair business.

During the year-ended 31 March 2016, the practice services division expanded further with the acquisition of three new businesses: Med-FX, a distributor of facial aesthetics products and pharmacy was acquired on 31 August 2015; PDS Dental Laboratories Leeds, a leading dental laboratory, was acquired on 18 March 2016; and Dolby Medical, a medical supplies and equipment servicing business based in Scotland, was acquired on 31 March 2016.

The practice services division, which now employs around 400 staff and contributed revenue of £117.5 million and EBITDA of £11.2 million, before the elimination of intragroup trading, to the group results for the year ended 31 March 2016.

Significant factors affecting results of operations

Patient services

Sourcing and acquisition of additional dental practices

Acquisitions of dental practices are the core driver of our growth. A limited number of new NHS dentistry contracts become available each year, so the primary method for growing our revenues is through acquiring dental practices holding existing NHS dentistry contracts. Since 12 May 2011, we have acquired 230 dental practices. We employ a disciplined acquisition strategy centred on the acquisition of practices with NHS dentistry contracts with three or more chairs.

Acquisition strategy

We buy practices to acquire their GDS evergreen contracts, and focus on the acquired practices' historical UDA delivery rates, the retention of key personnel and complementary private revenue generation in such practices. Our acquisition strategy is impacted by the sourcing, availability and pricing of dental practices for purchase. In terms of sourcing, we have a large and experienced acquisition team which identifies potential acquisition opportunities on the basis of our acquisition strategy, and have generated leads for approximately 80% of the acquisitions completed during the year ended 31 March 2016 internally. We usually pay finders' or brokers' fees for those acquisition leads not developed internally.

Scope for additional consolidation

With approximately 11,900 dental practices, the large majority of which are independent, the UK dental market is highly fragmented, and we believe there is scope for additional consolidation as dentists retire or sell their dental practices to become independent contractors with us, whether due to the administrative, regulatory and compliance burden of owning their own dental practice or otherwise. Within the large number of independent dental practices throughout the United Kingdom, we estimate that approximately 300 practices are available for acquisition in an

average year, and the number of acquisitions we make depends on the quality and pricing of those practices that are available for purchase at a given time. In addition, our strategy of driving value and growing our business through acquisitions of suppliers of consumables, materials, equipment and services has increased the addressable market for growth through acquisitions.

Valuation and accuracy

The price paid for a particular acquisition depends in part on the NHS dentistry contracted revenues as well as the private dentistry services revenues and the costs of the target dental practice, along with competition to acquire such practices, which may be intense. We price each acquisition on the basis of a multiple of the estimated EBITDA generated by our due diligence process. Our results of operations are therefore impacted by the accuracy of our due diligence, as well as by our success in integrating the dental practices we acquire into our group, and implementing our cost structure in such dental practices. On a portfolio basis, we believe the expected EBITDA projections resulting from our acquisition team's due diligence have been accurately reflected in post-acquisition results, and acquired practices have generally enjoyed EBITDA consistency before and after their acquisition by us. We believe our due diligence methodology produces accurate results and allows us to acquire dental practices at attractive multiples of EBITDA valuations as we know that the number of contracted UDAs, UDA delivery percentage and private revenue generation tend to maintain consistency, dentist costs are contracted, and we are able to apply our known cost base to the dental practices we acquire. The dental practices we acquired in the twelve months ended 31 March 2015 contributed £7.2 million of EBITDA, before head office costs and non-underlying items, in the twelve months ended 31 March 2016 compared to our due diligence estimate of £9.1 million of EBITDA, before head office costs and non-underlying items. The majority of the shortfall relates to three acquisitions, two of which were chains of dental practices, where there have been specific trading issues which management are currently addressing. The dental practices we acquired in the twelve months ended 31 March 2014 contributed £10.1 million of EBITDA, before head office costs and non-underlying items, in the twelve months ended 31 March 2016 compared to our due diligence estimate of £10.5 million of EBITDA, before head office costs and non-underlying items. In the year ended 31 March 2016 we experienced an increase in the multiples of EBITDA which selling dentists were accepting for the sale of their practices. The effect of such an increase in price can be that we acquire fewer practices, or pay more for the practices we do acquire.

Availability of dentists and other dental professionals

Without dentists, our dental practices cannot provide dental services or generate revenue from either NHS dentistry services or private dentistry services. It has historically proven difficult to attract dentists to work in certain regions of the United Kingdom, such as the southwest of England. This can impact our results in that we may not be able to deliver contracted UDAs in respect of NHS dentistry services in localities where we have NHS dentistry contracts if we are unable to source dentists in or to such localities. We have a central talent sourcing function and primarily attract dental graduates and dentists qualified in the United Kingdom. In the past, we have also addressed shortages of dentists (whether nationwide or local) by attracting dentists from overseas. Of our dentists, approximately 48.9% are British. We believe that we have benefited from the UK Government's increased investment in additional graduate training places and the training and retention of dental school graduates.

Sourcing and retention of hygienists and nurses also affect our results. Hygienists operate in conjunction with dentists, but following recent changes no longer require a referral from a dentist to provide a limited number of services and so are, to a certain extent, a source of revenue generation complementary to our dentists. Dentists are prohibited from providing dental services to patients without a nurse present, so the recruitment and retention of nurses also drive our results and operational efficiency. We constantly review our salary package and training initiatives for hygienists and nurses in order to improve sourcing and increase retention.

Industry-wide factors affecting UDA delivery rates

Our patient services division provides NHS dentistry services to patients under various types of framework NHS dentistry contracts. Under the current system, the value of these contracts is primarily based on volume, specifically UDAs. In general, UDA values differ across the United Kingdom and amongst our dental practices. The average value of a UDA in England is currently approximately £26.13. The number of UDAs awarded for a particular treatment depends on the type of treatment provided. Dental treatments are split into four bands based on the type of treatment, the number of UDAs applicable to such treatment and the patient contribution in respect of such treatment.

Revenue generated by our patient services division is therefore affected by the number of UDAs that our dental practices complete in a contract year. These rates are impacted by various factors, including factors which affect the industry as a whole. For the five years ended 31 March 2015, our UDA delivery rates averaged approximately 96.8%. Our UDA delivery rate for the contract year ending 31 March 2016 was 92.4%, having been negatively impacted compared to previous years by increased NHS scrutiny of claims and performance benchmarks, including the delivery of so-called “28 days letters” and a decrease in the number of exempt patients seeking treatment as a result of the improving UK economy. Increased NHS scrutiny of claims and performance benchmarks have reduced dentist productivity by making dentists spend more time recording notes detailing patient care and causing dentists to be more cautious in claiming UDAs. We have also experienced a decrease in the number of exempt patients, who are not required to contribute to the cost of the NHS dentistry services they receive, which resulted in a decline in the mix of UDA bands delivered, since exempt patients tend to receive services requiring a high number of UDAs compared to patients who are required to contribute to the cost of NHS dentistry services provided.

Some of this decrease has been offset by other industry-wide factors, such as growth in the provision of private dentistry services and in NHS dentistry contract price uplifts. In addition, we are seeking to stem the decline in our UDA delivery rate by providing training to dentists to increase UDA delivery, successfully responding to NHS queries and working with dentists to increase their working hours. While we expect these measures will address the current decline in our UDA delivery rate, there can be no assurance that such measures will be successful or that the decline will continue to be offset by increases in the provision of private dentistry services and NHS dentistry contract price uplifts.

Dental chair efficiency and utilisation

We refer to our ability to utilise our dentists’ time and drive efficiency in terms of revenue generation as “time in the dental chair”, or “the time a dentist spends with patients”. The drivers for maximising time in the dental chair consist of maximising opening hours and patient numbers and minimising downtime for maintenance and non-dentistry burdens such as recording practice notes or responding to NHS enquiries.

We have scope to increase time in the dental chair by extending our opening hours, as most of our practices do not currently offer weekend or evening services. Because our dentists’ hours and workload in practice tend to be fixed to weekday trading days and normal trading hours, our results of operations are affected by the number of trading days in a year and by other factors that result in closure or fewer or more trading days. We also leverage our central support function to drive patient numbers, and to that end we have implemented a variety of targeted marketing efforts that are aimed at attracting new patients and increasing visit frequency from existing patients.

We regularly invest in capital expenditures to provide new chairs and other equipment, and to make our suite of chairs and equipment uniform across our estate, which we believe will reduce money and time spent on maintenance. By removing the administrative, compliance and regulatory burdens of dentists, we believe that we provide dentists with a platform for maximising the time they spend with patients, and thereby increasing UDAs delivered, private dentistry services revenue generated, and overall quality of care and patient satisfaction.

Private revenue

For the year ended 31 March 2016, we generated £86.4 million in revenue, or 15.3% of our total group revenue, through the provision of private dentistry services. Private dentistry services, including general dentistry, hygienist and cosmetic services, are provided by most of our dental practices, along with such practices’ NHS dentistry services offering. Private dentistry services are one of the key drivers of our organic growth, and our expansive offering of private dentistry services provides us with opportunities to complement revenues we generate under our NHS dentistry contracts. Private dentistry services are provided solely at the election of the patient who funds the work (whether out-of-pocket or through insurance or payment plans), and on average the cost of private dentistry services is higher than the cost of comparable NHS dentistry services. The result is that revenues generated from private dentistry services tend to be significantly more sensitive to general macroeconomic conditions and the level of disposable income available to our patients than revenues generated from NHS dentistry services. Prices for private dentistry services are set by the individual dentist working within guidelines determined by us. We generally compensate dentists for the provision of private dentistry services on a fixed percentage of fees paid for private dentistry services provided.

Dentist fees, costs of laboratory work and costs of materials

We believe that up to 70% of our patient services division costs (including all of our cost of sales and certain of our administrative expenses) are variable and tied to sales volumes and activity. Our cost of sales in our patient services division, which was £246.5 million for the year ended 31 March 2016, is primarily comprised of dentist and hygienist compensation, the cost of materials and laboratory work performed and the cost of consumables, materials and equipment supplied by our practice services division. Dentists working in our practices are self-employed, independent contractors who pay us a notional licence fee and receive a fixed rate per UDA delivered (in the case of the majority of NHS dentistry services) and a percentage of fees paid for private dentistry services. We negotiate dentist contracts on an individual basis, depending in part on demand for dentists and UDA prices prevalent in the locality in which the relevant dentist operates, and such fees are agreed in our associate contracts with our dentists. We also use floating dentists (locums), who generally receive higher fees per UDA than dentists operating out of one dental practice. We believe these arrangements align dentists' economic interests with ours. Our second most significant variable cost is the cost of materials. The cost of materials we procure for our dental practices are subject to general inflationary pressures in line with the macroeconomy. We have been able to drive efficiencies and achieve economies of scale in the procurement of materials by selecting the range of materials used by our practices and purchasing such materials on the basis of volume discounts. Our third most significant variable cost is the net costs of laboratory work performed, which we generally split evenly with dentists. Both the costs of materials and the net costs (after dentist contribution) of laboratory work performed are directly tied to our sales volumes and activity.

Following the acquisitions of The Dental Directory and dbg, we have in-sourced the supply of the majority of dental materials, equipment and equipment maintenance to our dental practices, which has resulted in a number of cost savings for our dental practices.

Practice overhead and support centre costs

Practice overhead and head office costs constitute the primary components of our administrative expenses, which were £158.3 million in our patient services division, or 33.5% of our revenue (after excluding depreciation, amortisation of goodwill, amortisation of grant income and non-underlying items), for the year ended 31 March 2016. We benefit from low property costs for our dental practices, with rent costs constituting less than 3% of our revenue for the year ended 31 March 2016.

Practice overhead includes the salaries of support staff, which consist of nurses and administrative support at the dental practice, the provision of equipment and estate management.

Support centre costs include the salaries of management and central support function employees providing IT, compliance, regulatory support, property and equipment maintenance, legal, finance, human resources, marketing, health and safety, risk management, recruitment, training, insurance and logistics services to our dental practices, our central support systems, central support overhead and the costs related to leasing our headquarters building.

Regulatory environment

Our results of operations are also affected from time to time by changes to the regulatory environment in relation to the healthcare generally, and dentistry specifically, in the United Kingdom. Because 68.3% of our group revenue in the year ended 31 March 2016 was generated in the provision of NHS dentistry services, we are particularly affected by UK Government policy in relation to contracts and funding for the provision of dental services. This includes the framework of contracts for the provision to provide dentistry, the determination of UDA volumes for a particular locality and the determination of UDA indexation of UDA prices for contract uplifts. Under the current contract framework, which was introduced in 2006, the value of NHS dentistry contracts is primarily based on the volume of UDAs delivered. Each UDA delivered under an NHS dentistry contract is assigned a fixed UDA rate, which varies by contract year-to-year, with the number of UDAs per treatment varying based on the actual treatment provided.

Local contracting

Our results are also affected by the determination of the number of UDAs required for a particular locality. NHS Regions on behalf of the NHS determine the number of UDAs required for a locality, and then solicit tenders for contracts to provide such UDAs. The NHS Regions take into account demand for dental services, population, demographics, socioeconomic factors and the penetration of dentistry access in an area when determining the number of UDAs for such locality. Increased numbers of UDAs in a particular locality will result in new contracts for the provision of NHS dentistry services, for which we may tender. If UDAs allocated to a particular locality do

not meet the contracted targets, the number of contracted UDAs may be reduced through cuts to contracts where there is repeated UDA underperformance of more than 4% (5% in Wales).

NHS budget

Whilst funding for certain other UK healthcare sectors has been subject to funding freezes or cuts due to government austerity measures, historically UDA prices have been subject to annual contract uplift, with increases of 0.5%, 0.5% and 1.5% for the contract years ended 31 March 2012, 2013 and 2014, respectively, 1.6% for the contract year ended 31 March 2015 and 1.34% for the contract year ending 31 March 2016 in England (with an uplift of 1.60% in Scotland). Under the current system, UDA rates vary significantly depending on the locality in which the dental services related to such UDAs were provided. Any standardisation of UDA rates by averaging rates across the United Kingdom would tend to benefit our revenue, as we believe that our current average UDA rate is slightly below the national average.

General regulatory requirements

Our costs of operations are also impacted by regulation more generally as it relates to health and safety, quality of care, the handling and storage of controlled drugs and medicines and other regulatory requirements with which we are required to comply in providing dentistry services and in purchasing and distributing dental consumables, materials and equipment. As the leading provider of dental services in the United Kingdom, we believe we are well placed to respond to and comply with regulatory changes in terms of having both dedicated regulatory and compliance teams to minimise such costs, and a sizeable revenue base and infrastructure to absorb increased costs.

Proposed NHS dentistry contract changes

A prototype trial process commenced in October 2015 as the next stage in the proposed reform of the NHS dentistry contract. Under the proposed changes to the current contract frameworks, which we estimate will be implemented, if at all, no earlier than 20119/20, NHS dentistry contracts could combine aspects of the existing UDA-based system, fixed payments for a given level of care time, number of patients treated, clinical outcomes, patient experience and patient safety. We believe that these changes, if they occur, will generally prove revenue neutral, and that we will be able to leverage our scale to derive a competitive advantage in terms of patient recruitment and delivery of quality care under any new NHS dentistry contractual framework.

Practice services

Practice services' revenue

Revenues generated within our practice services division, before intragroup trading eliminations, have increased from £112.2 million for year ended 31 March 2015 to £117.5 million for the year ended 31 March 2016, reflecting the effect of the acquisitions of The Dental Directory in 2014 and Med-FX in 2015. The majority of revenues result from the sale of dental materials, consumables and services to dental practices across the United Kingdom. From July 2014 onwards, our practice services division has also supplied materials and consumable products, as well as services, to our patient services division. The division also supplies a range of materials and consumables to the wider healthcare sector. Other sources of revenue within our practice services division include the supply of dental equipment, engineering, calibration and training services. These services are provided to our patient services division as well as to a range of external customers and have generated significant cost savings, synergies and opportunities for growth.

Demand for the products and services offered by this division is principally dependent upon the demand for dentistry services by the end customer. However, fluctuations in demand for NHS or private dentistry services within the market as a whole may impact the demand for dental materials since the cost of materials and consumables used to deliver private dentistry treatments will often be higher than for similar NHS treatments.

Following the acquisition of PDS Dental Laboratories Leeds and Dolby Medical in March 2016, the division has expanded the services provided to include dental laboratory work and developed the services available across Scotland.

Cost of goods sold

The cost of goods sold by our practice services division principally comprises the wholesale cost of purchasing dental materials, equipment and consumables. Materials, consumables and equipment are sourced from a wide range of suppliers, many of whom are located overseas. The cost of our purchases is therefore subject to foreign exchange

risk where goods are purchased in foreign currencies, typically euros or US dollars. Since we do not generate any significant revenues in currencies other than pounds sterling, our policy is to hedge the pound sterling equivalent costs of a proportion of our foreign currency purchases using vanilla foreign exchange derivative contracts, in order to reduce uncertainty over future cash flows. In addition to fluctuations resulting from movements in foreign exchange rates, cost of goods sold also fluctuate due to changes in supply and demand in the market and changes in the cost of associated raw materials. Our practice services division manages the impact of these fluctuations through competitive tendering of significant supply contracts and through volume purchasing to take advantage of supplier discount arrangements or rebate mechanisms.

Distribution and sales overheads

Distribution and sales overheads include the freight and carriage costs associated with distributing products to our customers and the salary and associated costs of our sales teams. We are increasing the level of investment into these sales teams and are also investing to improve the ordering functionality of the website. For engineering and other similar services, overheads also includes the cost of direct labour associated with delivering the service.

Description of key line items

Income statement

Set out below is a brief description of the composition of the key line items of our income statement under IFRS.

Revenue

Revenue represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that we have obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Revenue derived from NHS dentistry contracts in England and Wales is recognised on the volume of dental activity delivered in the financial period. Revenue from all private dental work and NHS patients in Scotland is recognised on the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment. Revenue from the sale of goods by the group's practice services division is recognised upon despatch.

Cost of sales

Cost of sales represents the operating expenses incurred in the delivery of our dental goods and services, including dentist compensation, laboratory work costs, dental materials and prostheses.

Other operating income

Other operating income primarily represents additional income to assist in the upkeep of premises received from Scottish health boards and is based on the proportion of NHS treatment carried out by a dental practice in Scotland. Other operating income also includes income received from property rentals.

Administrative expenses

Administrative expenses represent all operating expenses that are not directly attributable to the actual provision of our dentistry services, including dental practice staff costs, property services and facilities management costs and other variable dental-related expenses and rent. Administrative expenses also includes support centre costs, including central staff and employee support costs, premises costs, communications and systems costs, legal and professional fees, and marketing and development costs. In addition, administrative expenses includes goodwill amortisation and depreciation of owned assets.

Operating profit

Operating profit represents the sum of (i) gross profit, (ii) other operating income and (iii) administrative expenses.

Finance income

Finance income comprises interest income, foreign exchange gains and gains on hedging instruments which are recognised as they arise.

Finance costs

Finance costs comprise the interest paid by us on our bond and bank debt including the amortisation of financing costs in respect of bank facilities, together with foreign exchange losses and losses on hedging instruments, which are recognised as they arise.

Income tax

Income tax represents the corporation tax charge or credit on our profit or loss for the year and includes both current and deferred income tax. Income tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised through the statement of comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the end of the reporting period, and any adjustments in respect of previous periods.

Deferred income tax is provided on certain temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and taxation purposes at the end of each reporting period. 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 the tax rates enacted in each jurisdiction at the end of the reporting period.

Other financial information

Set out below is a brief description of other non-IFRS financial information.

Gross profit margin

Gross profit margin represents gross profit divided by revenue.

EBITDA margin

EBITDA margin represents EBITDA before non-underlying items divided by revenue.

NHS dentistry services revenue as a percentage of total revenue

NHS dentistry services revenue as a percentage of total group revenue represents revenue generated through the provision of NHS dentistry services under NHS dentistry contracts divided by group revenue.

Total annual UDA delivery percentage

Total annual UDA delivery percentage represents the total number of UDAs we deliver in a given year divided by our total number of contracted UDAs in place at the end of a given year.

UDA contract uplift

UDA contract uplift represents the percentage increase of UDA prices under each NHS dentistry contract over the prior year's prices in each respective NHS dentistry contract.

Private dentistry services revenue as a percentage of total revenue

Private dentistry services revenue as a percentage of total group revenue represents revenue generated through the provision of private dentistry services divided by revenue.

Like-for-like private revenue growth

Like-for-like private revenue growth represents the total private revenue generated by all the practices owned for the whole of a financial year divided by the private revenue generated by the same practices in the preceding financial year.

Overheads as a percentage of total revenue

Overheads expenses as a percentage of total revenue represents administrative expenses, plus distribution costs less depreciation, amortisation of goodwill and amortisation of grant income and non-underlying items, divided by revenue.

Total number of dental practices

Total number of dental practices represents the total number of dental practices we own as at a specified date.

Results of operations for the years ended 31 March 2016 and 31 March 2015

The following tables set out the key line items from the consolidated income statement and the consolidated cash flow statement for the years ended 31 March 2016 and 31 March 2015 and from the consolidated balance sheet at 31 March 2016 and 31 March 2015.

Consolidated income statement

(£ in millions)	For the year ended 31 March 2016	For the year ended 31 March 2015
Revenue	**565.9**	**534.2**
Cost of sales	(307.5)	(294.9)
Gross profit	**258.4**	**239.4**
Distribution costs	(15.2)	(13.0)
Administrative expenses	(233.9)	(203.7)
Other operating income	1.9	1.8
Other gains	0.4	–
Operating profit	**11.6**	**24.4**
Finance costs	(38.7)	(40.0)
Finance income	1.1	0.1
Loss before income tax	**(25.9)**	**(15.5)**
Income tax credit	7.8	2.9
Loss for the year	**(18.1)**	**(12.6)**
Attributable to:		
Owners of the parent	(18.0)	(12.6)
Non-controlling interests	(0.1)	(0.1)
	(18.1)	**(12.6)**

Consolidated balance sheet

(£ in millions)	As at 31 March 2016	As at 31 March 2015
Non-current assets		
Goodwill	339.0	322.5
Other intangible assets	453.4	453.2
Property, plant and equipment	99.4	89.5
Other receivables	1.0	2.5
Deferred income tax assets	9.7	10.5
	902.4	**878.1**
Current assets		
Inventories	20.6	22.2
Trade and other receivables	49.5	42.0
Corporation tax	–	0.6
Derivative financial instruments	0.7	–
Cash and cash equivalents	14.9	29.1
	85.7	**93.9**
Assets classified as held for sale	0.4	2.0
Total assets	**988.6**	**974.0**
Equity attributable to the owners of the parent		
Share capital	411.0	411.0
Retained earnings	(134.9)	(116.9)
	276.1	**294.0**
Non-controlling interest	0.1	(0.1)
Total equity	**276.1**	**293.9**
Non-current liabilities		
Borrowings	531.9	520.8
Other payables	3.2	6.5
Deferred income tax liabilities	51.1	54.8
Defined benefit pension obligation	–	0.4
Provisions	7.6	7.4
Derivative financial instruments	2.0	3.1
	595.7	**593.0**
Current liabilities		
Trade and other payables	114.4	85.1
Corporation tax	0.4	–
Provisions	1.8	1.9
Derivative financial instruments	0.1	–
	116.7	**87.0**
Total liabilities	**712.5**	**680.1**
Total equity and liabilities	**988.6**	**974.0**

Consolidated cash flow statement

(£ in millions)	For the year ended 31 March 2016	For the year ended 31 March 2015
Cash flows from operating activities		
Cash generated from operations	80.0	77.4
Tax received/(paid)	0.6	(0.6)
Net cash inflow from operating activities	**80.5**	**76.8**
Investing activities		
Acquisitions (net of cash acquired)	(43.8)	(114.0)
Purchase of property, plant and equipment	(26.9)	(25.9)
Purchase of freehold property held for sale	–	(0.2)
Proceeds from business and asset disposals	2.7	11.0
Government grants received	–	–
Interest received	0.1	0.1
Net cash outflow from investing activities	**(67.9)**	**(129.1)**
Financing activities		
Drawdown of bank loans	8.5	105.0
Repayment of bank loans	–	(96.5)
Proceeds from issue of senior secured floating rate notes	–	101.3
Arrangement fees and associated professional costs	–	(1.7)
Bank and bond interest paid	(35.3)	(33.6)
Net cash (outflow)/inflow from financing activities	**(26.8)**	**74.4**
Net (decrease)/increase in cash and cash equivalents	**(14.2)**	**22.2**
Cash and cash equivalents at the start of the year	29.1	6.9
Cash and cash equivalents at the end of the year	**14.9**	**29.1**

Other financial data

(£ in millions, except as specified)	For the year ended 31 March 2016	For the year ended 31 March 2015
Other profit and cash flow data		
EBITDA before non-underlying items[1]	80.2	76.8
Estimated pro forma adjusted EBITDA[2]	87.2	85.1
EBITDA margin[3]	14.2%	14.4%
Gross profit margin[4]	45.7%	44.8%
Maintenance capital expenditure[5]	22.2	20.6
Cash conversion[6]	90.8%	79.8%
Other debt and credit data		
Net senior secured debt[7]	441.9	416.7
Net total debt[8]	516.9	491.7
Ratio of net senior secured debt to estimated pro forma adjusted EBITDA	5.21	4.90
Ratio of net total debt to estimated pro forma adjusted EBITDA	5.93	5.78

Key performance indicators

	For the year ended 31 March 2016	For the year ended 31 March 2015
NHS dentistry services revenue as a percentage of total revenue	68.3%	69.8%
Private dentistry services revenue as a percentage of total revenue	15.3%	13.0%
Practice services revenue as a percentage of total revenue	16.4%	17.2%
Total annual UDA delivery percentage[9]	92.4%	95.8%
Like-for-like private revenue growth[10]	11.6%	12.2%
Overheads as a percentage of revenue[11]	31.8%	30.8%
Total number of dental practices[12]	672	644

	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2015	For the year ended 31 March 2016
£ per UDA contract uplift[13]	0.50%	1.50%	1.60%	1.34%

The following table reconciles EBITDA before non-underlying items to operating profit:

	For the year ended 31 March 2016	For the year ended 31 March 2015
Operating profit	11.6	24.4
Amortisation of intangible assets	31.6	29.3
Depreciation	18.8	16.9
Amortisation of government grant income	(0.1)	(0.3)
Other non-underlying items*	18.7	6.5
Foreign exchange gains	(0.4)	-
EBITDA before non-underlying items	**80.2**	**76.8**

* Non-underlying items in respect of the year ended 31 March 2016 include £10.6 million in respect of the cost of rolling out the mydentist brand to a further 316 dental practices, giving a total of 418 completed at 31 March 2016. Costs includes expenditure on signage, decoration and uniforms. £1.9m relates to professional fees and expenses incurred in relation to acquisitions and a credit of £2.2 million arises from differences between contingent consideration paid and the estimates initially recognized in the balance sheet. £2.6 million arises from business and asset disposals including the closure of the dbg head office in Winsford, merging the administrative functions with those of The Dental Directory in Witham, to create a single support function for the practice services division. The amount also includes costs resulting from two closed and five merged dental practices, partially offset by profits generated from the sale and leaseback of 12 freehold dental practices. The remaining costs of £5.8 million relate to the restructuring of practice services division operations, redundancy payments to staff across both divisions, costs associated with the review of strategic options and associated legal and professional fees.

We are not presenting EBITDA before non-underlying items and other EBITDA-based measures as measures of our results of operations. EBITDA before non-underlying items and other EBITDA-based measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations. EBITDA before non-underlying items, estimated pro forma adjusted EBITDA and related leverage and coverage ratios are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Our management believes that the presentation of EBITDA before non-underlying items and EBITDA-based measures is helpful to investors as measures of our operating performance and ability to service our debt. Our EBITDA before non-underlying items and our other EBITDA-based measures may not be comparable to similarly titled measures used by other companies.

(1) EBITDA before non-underlying items represents operating profit before the amortisation of intangible assets, depreciation, amortisation of grant income, foreign exchange gains or losses and other non-underlying items. Accordingly, EBITDA before non-underlying items can be extracted from our consolidated financial statements by taking operating profit and adding back amortisation of intangible assets, depreciation, amortisation of grant income, foreign exchange gains or losses and other non-underlying items.

(2) Estimated pro forma adjusted EBITDA for the year ended 31 March 2016 has been calculated following the methodology set out in the IDH Finance Plc Offering Memorandums dated 22 May 2013 and 6 May 2014. The estimated adjusted EBITDA of the Acquired Dental Practices is management's estimate of the annual EBITDA of the 34 dental practices and other practice services operations (Med-FX Limited, PDS Dental Laboratories Leeds Limited and Dolby Medical Limited) acquired at different dates during the period between 1 April 2015 and 31 March 2016, less the actual results consolidated in EBITDA before non-underlying items from the date of acquisition. The estimated pro forma adjusted EBITDA of the Acquired Dental Practices is calculated assuming a UDA delivery percentage of 97%. If the assumed UDA delivery percentage was adjusted by 1% this would adjust the estimated adjusted EBITDA of the Acquired Dental Practices by £0.1 million.

The following table reconciles estimated pro forma adjusted EBITDA to EBITDA before non-underlying items:

(£ in millions)	**Year ended 31 March 2016**
EBITDA before non-underlying items	80.2
Estimated adjusted EBITDA of the Acquired Dental Practices	3.4
Adjusted EBITDA of Med-FX Limited, PDS Dental Laboratories Leeds Limited and Dolby Medical Limited	1.0
Reversal of one-off VAT grouping adjustment	0.2
Pro forma EBITDA	84.8
Cost savings inititives	1.7
VAT grouping savings	0.4
Acquisitions completed to date during FY17	0.3
Estimated pro forma adjusted EBITDA[(14)]	87.2

(3) Represents EBITDA before non-underlying items divided by revenue.

(4) Represents gross profit divided by revenue.

(5) Represents capital expenditures excluding acquisitions refurbishments. Maintenance capital expenditures include capital expenditures required for routine maintenance, equipment replacement, additional equipment purchases, building refurbishment not in connection with an acquisition and capital expenditures associated with practice relocations, but exclude capital expenditures made in connection with acquisitions.

(6) Represents cash generated from operations before non-underlying items, less maintenance capital expenditures, divided by EBITDA before non-underlying items.

(7) Represents total senior secured borrowings less available cash at bank and in hand and unamortised arrangement fees.

(8) Represents total borrowings less available cash at bank and in hand.

(9) Represents the total number of UDAs per dental practices owned at the beginning of a given contract year delivered in such year, divided by the total number of contracted UDAs in place in respect of such dental practices at the end of that contract year. This percentage is calculated based on the agreed total number of UDAs at 31 March of the applicable year and, in respect of the percentage calculated on the agreed total number of UDAs at 31 March 2016, immaterial changes to this percentage may occur pending final agreement with NHS Regions regarding overperformance paid or carried over to the next contract year. Because UDAs are delivered under full year contracts, interim UDA delivery is not useful in an analysis of annual UDA delivery percentage.

(10) Represents total private revenues generated by all the practices owned for the whole of the year ended 31 March 2016 divided by the private revenue generated by the same practices in the corresponding periods of the preceding years.

(11) Represents administrative expenses, plus distribution costs, less amortisation of intangible assets, depreciation, amortisation of grant income and other non-underlying items, divided by revenue.

(12) Represents the total number of dental practices we own as at a specified date.

(13) Represents the nationwide price per UDA per year contract uplift promulgated by the UK Government in a given year.

(14) Estimated pro forma adjusted EBITDA includes the full year effect of recent cost saving actions taken by management, annualised run-rate VAT grouping savings and the benefit of acquisitions completed prior to 7 June 2016. Cost savings initiatives include: (i) £0.7 million in annualised run-rate cost savings arising from the full-year effect of support centre staff headcount reductions; (ii) £0.3 million in annualised run-rate cost savings arising from the full-year effect of our contract for the sale of Colgate dental products in our mydentist-branded dental practices; and (iii) £0.7 million in annualised run-rate cost savings arising from the closure of dbg's former head office in Winsford and the consolidation of our practice services division's administrative and support functions in Witham, as well as a reduction in headcount among our practice services division's engineering team.

Year ended 31 March 2016 compared to the year ended 31 March 2015

In the year ended 31 March 2016, we acquired 34 dental practices and opened one new dental practice for a total of 672 dental practices in our estate as at 31 March 2016. Our practice sevices division also acquired three business:

- Med-FX Limited, a distributor of facial aesthetics products with a pharmacy offering, was acquired on 31 August 2015;
- PDS Dental Laboratory Leeds Limited, a leading dental laboratory, was acquired on 18 March 2016; and
- Dolby Medical Limited, a medical supplies and equipment servicing business, was acquired on 31 March 2016.

Revenue

Revenue for the year ended 31 March 2016 has increased by £31.6 million, or 5.9%, from £534.2 million for the year ended 31 March 2015 to £565.9 million for the year ended 31 March 2016. This increase was primarily the result of dental practice acquisitions during the year.

We have continued to experience strong demand for private dentistry services within our existing practices, with revenue from practices owned at 1 April 2014 having increased by 11.6%. However this growth has been offset by a reduction in revenue from NHS dentistry services. The overall increase in group revenue is further analysed in the table below:

Revenue (£ in millions)	**For the year ended 31 March 2016**	**For the year ended 31 March 2015**	**Movement**
Practices owned as at 1 April 2014	422.6	425.8	(3.2)
Practices acquired or opened during the year ended 31 March 2015	39.8	16.3	23.4
Practices acquired or opened during the year ended 31 March 2016	10.4	–	10.4
Total dental practice revenue	472.7	442.2	30.6
Practice services and other revenue	93.1	92.1	1.1
Group revenue	**565.9**	**534.2**	**31.6**

The 67 practices acquired or opened during the year ended 31 March 2015 contributed revenue of £39.8 million for the year ended 31 March 2016, an increase of £23.4 million over the contribution by the same practices during the year ended 31 March 2015, reflecting our ownership of these practices for the full year. The 35 practices acquired or opened during the year ended 31 March 2016 contributed revenue of £10.4 million for the year ended 31 March 2016, reflecting the immediate impact on our revenue from these acquired practices.

Revenue generated by practices owned at 1 April 2014 decreased by £3.2 million, or 0.8%, from £425.8 million for the year ended 31 March 2015 to £422.6 million for the year ended 31 March 2016. The decrease principally arises from a lower UDA delivery percentage of 92.4% compared with 95.8% for the year ended 31 March 2015, however this is partially offset by continued strong growth in private revenues, which increased by 11.6% on a like-for-like basis. The decrease in UDA delivery percentage mirrors recent industry trends and is due to a number of factors, including a continued decline in the number of exempt patients, a change in UDA band mix away from higher value band 2 (3 UDA's) and 3 (12 UDA's) treatments, individual dentist productivity, and initiatives to increase the range of treatment options available to patients which has contributed to the growth in private revenues.

Cost of sales

Cost of sales increased by £12.6 million, or 4.3%, from £294.9 million for the year ended 31 March 2015, to £307.5 million for the year ended 31 March 2016. Gross profit margin increased by 0.9 percentage points, from 44.8% for the year ended 31 March 2015 to 45.7% for the year ended 31 March 2016.

Patient services gross margin for the year ended 31 March 2016 was 47.9%, compared to 48.1% for the year ended 31 March 2015. This was principally due to higher locum costs when compared to the year ended 31 March 2015, however this was partially offset by savings in materials costs. The gross margin in the practice services division was 30.5%, an increase of 2.1 percentage points from 28.4% for the year ended 31 March 2015 and principally reflected favourable foreign exchange rates during the year ended 31 March 2016.

The increase in our cost of sales is primarily the result of the full-period costs of the 67 practices acquired or opened in the year ended 31 March 2015 and the in-period costs of the 35 practices acquired or opened in the year ended 31 March 2016. Together, the increase in cost of sales from these practices was £18.2 million.

Other operating income

Other operating income increased by £0.1m, or 7.1%, from £1.8 million for the year ended 31 March 2015 to £1.9 million for the year ended 31 March 2016. We generate other operating income primarily from income received from Scottish Health Boards to assist in the upkeep of our dental practices, based on the proportion of NHS treatment carried out by each dental practice, and property rental income.

Distribution costs

Distribution costs increased by £2.2 million, or 16.6%, from £13.0 million for the year ended 31 March 2015 to £15.2 million for the year ended 31 March 2016. This increase reflected a higher level of revenue generated within the practice services division and investment in warehouse staffing.

Administrative expenses

Administrative expenses increased by £30.2 million, or 14.8%, from £203.7 million for the year ended 31 March 2015, to £233.9 million for the year ended 31 March 2016. This increase is due to a number of factors, including a £9.3 million increase in non-underlying costs relating to the roll-out of the mydentist brand, an increase in the number of dental practices with the consequent growth in staff costs, rent and other establishment costs and a £4.2 million increase in the charge for the amortisation of intangible assets. Administrative expenses also include a loss of £2.6 million from business and asset disposals which principally arises from the closure of the dbg head office in Winsford with the administrative functions being merged with those of The Dental Directory in Witham, to create a single support function for the practice services division.

Finance costs

Finance costs decreased by £1.4 million, or 3.4%, from £40.0 million for the year ended 31 March 2015, to £38.7 million for the year ended 31 March 2016. Finance costs for the year ended 31 March 2015 included £1.7 million of arrangement fees in respect of the issue of £100.0 million of Additional Notes in May 2014 and £1.0 million due to an adverse movement in the mark-to-market value of the group's interest rate swap contracts.

These movements were partially offset by higher interest costs in respect of the Revolving Credit Facility, due to an increase in the average amount drawn, and a full year of interest charged in respect of the Additional Notes.

Finance income

Finance income increased by £1.0 million from £0.1 million for the year ended 31 March 2015 to £1.1 million for the year ended 31 March 2016. The increase was principally due to a favourable movement of £1.1 million in the mark-to-market value of the group's interest rate swap contracts.

Income tax credit

The income tax credit increased by £4.9 million, from £2.9 million for the year ended 31 March 2015, to £7.8 million for the year ended 31 March 2016. This was principally due to the impact of the reductions in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 upon the opening deferred income tax

balances, in addition to the partial reversal of deferred income tax temporary differences in respect of intangible assets.

EBITDA before non-underlying items

EBITDA before non-underlying items increased by £3.4 million, or 4.4%, from £76.8 million for the year ended 31 March 2015, to £80.2 million for the year ended 31 March 2016. This was principally due to the impact of dental practice acquisitions, which added £6.4 million of EBITDA, along with strong like-for-like private revenue growth of 11.6% and EBITDA growth in our practice services division, which was due in part to more favourable foreign exchange rates.

However, this benefit was offset by a reduction in NHS contract delivery, with the UDA delivery percentage falling from 95.8% to 92.4%, and an increase in administration costs as a percentage of revenue from 30.8% for the year ended 31 March 2015 to 31.8% for the year ended 31 March 2016.

NHS dentistry services revenue as a percentage of total revenue

NHS dentistry services revenue as a percentage of total revenue decreased 1.5 percentage points, from 69.8% for the year ended 31 March 2015, to 68.3% for the year ended 31 March 2016. This decrease primarily results from the strong growth experienced in private dentistry revenues in conjunction with the lower level of UDA contract delivery.

Total annual UDA delivery percentage

Our total annual UDA delivery percentage for the twelve months ended 31 March 2016 was 92.4%, a decrease of 3.4 percentage points over our total annual UDA delivery percentage of 95.8% for the year ended 31 March 2015. The lower UDA delivery percentage mirrors recent industry trends and reflects a number of factors, including a continued decline in the number of exempt patients, a change in UDA band mix away from higher value band 2 (3 UDA's) and 3 (12 UDA's) treatments, individual dentist productivity, and initiatives to increase the range of treatment options available to patients which has contributed to growth in private revenues.

Private dentistry services revenue as a percentage of total revenue

Private dentistry services revenue as a percentage of total revenue increased 2.3 percentage points, from 13.0% for the year ended 31 March 2015, to 15.3% for the year ended 31 March 2016. This increase reflects like-for-like growth in private dentistry services of 11.6%, in addition to the acquisition of practices with a higher sales mix of private dentistry revenue.

Like-for-like private revenue growth

Like-for-like private revenue growth was 11.6% for the year ended 31 March 2016, following on from like-for-like growth of 12.2% for the year ended 31 March 2015. The strong continuing growth continues to reflect the benefits from increasing the range of treatment choices available to our patients, the offering of additional services and price increases.

Overheads as a percentage of revenue

Overheads as a percentage of total revenue increased by 1.0 percentage points, from 30.8% for the year ended 31 March 2015, to 31.8% for the year ended 31 March 2016.

This increase primarily reflects the reduction in NHS revenues in practices owned at 1 April 2014 in addition to the full year impact of the investment made by management in practice operations during the second half of the year ended 31 March 2015 which increased the number of practice and area managers, introduced a management team focused on the development of private revenues, improved dentist clinical support and invested in pay structures to retain and incentivise nurses. These factors are partially offset by reductions in support centre and practice headcount in September 2015.

Total number of dental practices

Our total number of dental practices increased by 28, or 4.3%, from 644 at 31 March 2015 to 672 at 31 March 2016, due to the acquisition of 34 dental practices and the opening of one new dental practice, offset by the merger of five

existing practices and the closure of two practices. Practices are merged in order to benefit from relocating to larger, or better located premises, or to enable us to add specialist skills into hub practices.

Liquidity and capital resources

"Liquidity" describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Our primary sources of liquidity are provided by cash generated from our operating activities and our third-party financings. Our liquidity requirements arise primarily to meet our debt service obligations, to fund acquisitions and to fund capital expenditures.

We primarily rely on cash flow from operations and borrowings under our Revolving Credit Facility to fund capital expenditures and acquisitions, and to provide funds required for our operations. Our debt service obligations consist primarily of interest payments on the Notes and principal and interest payments on amounts drawn under the Revolving Credit Facility. We expect to fund acquisitions in the future primarily through drawings under the Revolving Credit Facility and with cash generated by our operations. We expect to fund capital expenditures primarily with cash generated by our operations. Although we believe that our expected cash flows from operating activities, together with available borrowings under the Revolving Credit Facility, will be adequate to meet our expected general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to meet our liquidity needs, including making payments on the Notes or on our other debt when due. If our cash flow from operating activities is lower than expected, or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and capital markets, restrictions in the instruments governing our debt and our general financial performance.

Cash flows

The table below summarises our consolidated cash flow statement for the years ended 31 March 2016 and 2015.

(£ in millions)	**For the year ended 31 March 2016**	**For the year ended 31 March 2015**
Cash generated from operations	80.0	77.4
Tax	0.6	(0.6)
Capital expenditure..	(24.2)	(15.1)
Acquisitions...	(43.8)	(114.0)
Interest received...	0.1	0.1
Financing...	(26.8)	74.4

Our cash generated from operations for the year ended 31 March 2016 increased by £2.6 million, or 3.4%, from £77.4 million for the year ended 31 March 2015 to £80.0 million for the year ended 31 March 2016. Cash generated from operations includes favourable working capital movements of £18.1 million (2015: £7.8 million) which principally arise from the lower UDA contract delivery percentage. The group receives 1/12th of the annual contract value up-front and contract value that is not delivered will typically be repaid in the following year. In addition, cash generated from operations includes acquisition related fees and expenses of £1.9 million (2015: £3.9 million) and the non-underlying costs associated with the roll-out of the mydentist brand of £10.6 million (2015: £1.3 million).

Net cash outflows from capital expenditure increased by £9.0 million, or 59.8%, from £15.1 million for the year ended 31 March 2015 to £24.2 million for the year ended 31 March 2016. The cash outflow for the year ended 31 March 2015 is net of a cash inflow of £10.8 million generated from the sale and leaseback of freehold dental practices. £2.7 million was generated from similar sales during the year ended 31 March 2016. Gross capital expenditures therefore increased by £1.0 million from £25.9 million for the year ended 31 March 2015 to £26.9 million for the year ended 31 March 2016.

Cash outflows from acquisitions were £43.8 million for the year ended 31 March 2016, a decrease of £70.2 million from the year ended 31 March 2015 due to the acquisition of The Dental Directory in April 2014 and a lower

number of dental practice acquisitions. 34 practices were acquired during the year ended 31 March 2016 compared to 66 practices during the year ended 31 March 2015.

The cash outflow of £26.8 million from financing reflects cash interest costs of £35.3 million partially offset by £8.5 million drawn against the Revolving Credit Facility. The cash inflow of £74.4 million for the year ended 31 March 2015 includes net proceeds of £109.7 million from the issue of the Additional Notes and additional borrowings from the Revolving Credit Facility, offset by cash interest costs of £33.6 million and debt arrangement fees of £1.7 million.

Capital expenditures

Net capital expenditures, excluding acquisitions, for the year ended 31 March 2016 and for the year ended 31 March 2015 were £24.2 million and £15.1 million, respectively. Excluding proceeds of £2.7 million arising principally from the sale and leaseback of 12 freehold dental practices (2015: £10.8 million from the sale and leaseback of 43 freehold dental practices), gross capital expenditure increased by £1.0 million, or 3.7% from £25.9 million for the year ended 31 March 2015 to £26.9 million for the year ended 31 March 2016. Expenditure principally included costs associated with the continued roll-out of the "mydentist" brand, ongoing investment in the practice estate, practice merger and relocation projects, and investment into the IT infrastructure across both our patient and practice services divisions.

In the year ended 31 March 2016, approximately 83% of our capital expenditures constituted maintenance capital expenditures, which we define as capital expenditures excluding acquisitions refurbishments, and approximately 17% of our capital expenditures constituted capital expenditures in connection with acquisitions, or acquisition refurbishments. Within our patient services division, our maintenance capital expenditures constituted 4.4% of our revenue in each of the years ended 31 March 2016 and 2015 respectively.

Our capital expenditures are generally spread through the course of a given year. Following the completion of the roll-out of the "mydentist" brand to the majority of our dental practices during the years ended 31 March 2015 and 2016, we expect our maintenance capital expenditures to reduce, relative to our revenues, to more typical levels for the business. As such we expect to make capital expenditures equivalent to approximately 4.00% of patient services revenue in the twelve months ending 31 March 2017. Capital expenditure for the year ended 31 March 2017 will primarily consist of equipment and IT systems upgrades and completion of the roll-out of the "mydentist" brand.

Working capital requirements

Our working capital requirements differ between our practice services and patient services divisions. Within our practice services division, net current assets as at 31 March 2016, comprising inventories, trade and other receivables and cash at bank and in hand, less trade and other short term payables, represented approximately 19% of divisional revenue prior to intragroup eliminations, for the year ended 31 March 2016.

Within our patient services division, we do not currently have significant short-term or long-term working capital requirements, as we typically receive payments under our NHS dentistry contracts prior to paying costs related thereto. Payments under our NHS dentistry contracts are made to us by NHS England, with payment of 1/12 the contract value paid at the beginning of each month. We collect the patient contributions on behalf of the NHS and remit such amounts to the NHS in arrears approximately two weeks thereafter. Three to six months following the contract year-end (31 March), we receive a statement detailing each 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 payment of reclamation must be made after the end of the contract year of underperformance. At 31 March 2016 £33.0 million was held within accruals and deferred income on the balance sheet in respect of UDA receipts which were not delivered during the year to 31 March 2016. We expect to repay the majority of these amounts to the NHS during the course of the year ended 31 March 2017. Changes in our working capital are included in our net cash inflow from operating activities.

Contractual obligations and commercial commitments

The table below sets out our contractual obligations and commitments as at 31 March 2016.

£ in millions	**Less than 1 year**	**1–5 Years**	**More than 5 years**	**Total**
Floating Rate Notes	–	225.0	–	225.0
Senior Secured Fixed Rate Notes	–	200.0	–	200.0
Second Lien Notes	–	75.0	–	75.0
Super senior revolving credit facility	–	39.0	–	39.0
Contingent consideration	5.7	2.9	–	8.6
Operating leases	14.1	49.0	67.5	130.6
Total contractual obligations	**19.8**	**590.9**	**67.5**	**678.2**

Contingent consideration

Contingent consideration (including earnouts) is payable in respect of certain of our acquisitions based on the performance of the acquired business typically in one to five years following the acquisition. In the case of certain of our acquisitions, fees paid to selling dentists may represent a significant portion of the future EBITDA generated by such acquired dental practices above an EBITDA target agreed in the consultancy services agreements entered into in connection with such acquisitions.

Operating leases

Contractual obligations for our operating leases reflect our annual commitments under non-cancellable operating leases, including in respect of premises for rent, vehicles provided to certain members of our management team and various other types of office equipment.

Off-balance sheet arrangements

We are the obligor under a letter of credit issued by Lloyds Bank in the amount of £1.8 million to our clinical directors in respect of liabilities they may incur as partners in certain of our dental practices.

Financial risk management

Market risk is the potential loss arising from adverse changes in market rates and consists of risks relating to foreign exchange rates, interest rates and market prices. We are not exposed to market price risk as we do not own assets the value of which is determined by market prices.

Our practice services division is subject to foreign exchange risk related to the purchases of consumables and materials in euros and US dollars. We generate revenue in pounds sterling and, because of this, we are unable to match purchases made using euros or US dollars with revenue generated in these currencies. The group's policy is to hedge the pound sterling equivalent costs of a proportion of our foreign currency purchases using vanilla foreign exchange derivative contracts, in order to reduce uncertainty over future cashflows.

We are exposed to interest rate risk primarily in relation to our debt service obligations, which consist of obligations under our Floating Rate Notes and obligations outstanding under our Revolving Credit Facility. As at 31 March 2016, we have £264.0 million in financial debt subject to variable interest rates consisting of £225.0 million of Floating Rate Notes and £39.0 million drawn on our Revolving Credit Facility.

In connection with the 2013 Notes Issuance, and to hedge our variable interest rate exposure under the Existing Senior Secured Floating Rate Notes, we amended the terms of our existing interest rate swaps on the 2013 Issue Date and rolled them into a new £125.0 million interest rate swap with a termination date of 1 June 2017. We also rolled over the mark-to-market balance owed under our existing interest rate swaps into the new interest rate swap. As at 31 March 2016, we estimate the mark-to-market balance owed under our existing interest rate swap to be £2.0 million. To date, we have not entered into any additional interest rate hedging contracts following the issuance of the Additional Notes in May 2014. Our Senior Secured Fixed Rate Notes and Second Lien Notes bear interest at a fixed rate. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

The nature of our contracts with NHS Regions means that consumer credit risk is minimised for a significant proportion of our revenues. Certain of the procedures undertaken by our dental practices may be paid for under payment plans which we contract to Medenta Patient Finance. While we are not exposed to the credit risk under such payment plans, we are required to carry a consumer credit license in respect of the provision of consumer credit. Whitecross holds our consumer credit license, and undertakes all work made pursuant to such payment plans. Similarly, our practice services division has no significant concentration of credit risk due to the high volume of individual customers that we supply. 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.

Internal controls

The ultimate source of internal controls is our Board. Our Board has delegated to senior management the establishment and implementation of a system of internal controls appropriate to our business. The Board and senior management maintain a strategic risk register to assist in the monitoring of risk across the group and the further development of internal controls. Key controls include the safeguarding of assets; the maintenance of proper accounting records; the reliability of financial information; and compliance with appropriate legislation, regulation and best practice, and are overseen by our independent auditors and our audit committee. At the dental practice level, internal controls are primarily managed by our practice managers and our area and regional managers. In general, the implementation of our internal controls is manual and focused on the prevention of fraudulent UDA claims and the theft of cash. We have previously suffered from breaches of our internal controls that were immaterial to our overall results, including misclaimed UDAs, the theft of petty cash and fraud related to the acquisition of a dental practice.

In our practice services division, controls are focused on the management of inventory, provenance of materials and equipment, including controlled drugs and medicines, and the credit-worthiness of customers.

Critical accounting policies and estimates

Our financial statements have been prepared in accordance with IFRS. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts of assets and liabilities we report. We continually evaluate our estimates and assumptions and base them on historical experience and other factors, including expectations of future events that we believe are reasonable under the circumstances. Actual results may differ from these estimates. Whilst we do not believe that any of such estimates and assumptions have material implications for our results of operations or financial condition or are material due to a high degree of subjectivity or judgement, the following are significant accounting policies which are determined, to the extent described above, on the basis of estimates and assumptions.

Revenue recognition

Revenue derived from NHS dentistry contracts in England and Wales is recognised based on the volume of dental activity delivered in the financial period, limited to the overall total contract value of the NHS dentistry contract. Revenue from all private dental work and NHS patients in Scotland is recognised on the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment. Revenue arising from the sale of other goods and services, including dental and healthcare materials or consumables, is recognised at the point that goods are despatched.

Work required for refurbishments

Any refurbishment of properties in our property portfolio is subject to multiple quotes from external third parties. Additionally, all properties in our property portfolio must meet required regulatory standards. Our property portfolio is managed internally by a property management team and supported by external consultants who review our practices and recommend improvements in meeting regulatory compliance in connection with our properties. Part of our internal central property management support function involves regulatory compliance in connection with our properties. Our property management team also manages a defined capital expenditure cycle and dilapidation schedule in respect of our leased and freehold properties.

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 not amortised but is tested for impairment at least annually. We use forecast cash flow information and estimates of future growth to determine the discount rate for assessing any impairment of goodwill. If our results of operations in future periods are adverse to the estimates used for impairment testing an impairment charge may be triggered.

The fair value of the consideration includes both actual and deferred consideration. Where the deferred consideration is contingent upon the future trading performance of an acquired asset, an estimate of the present value of the likely consideration is made. The contingent deferred consideration is reassessed annually and a corresponding adjustment is made to the goodwill arising on acquisition.

Defined benefit scheme

Details of the principal actuarial assumptions used in calculating the recognised liability or surplus for the defined benefit pension scheme are given in note 31 to the audited financial statements for the twelve months ended 31 March 2016, which are included in this Annual report. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this balance in the future.

Deferred income tax balances

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 taxes 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.

Results of operations for the three months ended 31 March 2016 and 31 March 2015

The following tables set out the key line items from the consolidated income statement and consolidated cash flow statement for the three months ended 31 March 2016 ("Q4 FY 2016") and 31 March 2015 ("Q4 FY 2015").

Consolidated income statement

(£ in millions)	**For the three months ended 31 March 2016**	**For the three months ended 31 March 2015**
Revenue	**146.7**	**141.7**
Cost of sales	(80.0)	(77.8)
Gross profit	**66.7**	**63.9**
Distribution costs	(4.3)	(3.5)
Administrative expenses	(57.4)	(54.0)
Other operating income	0.5	0.4
Other gains	0.5	–
Operating profit	**6.0**	**6.9**
Finance costs	(9.7)	(9.4)
Loss before income tax	**(3.6)**	**(2.5)**
Income tax (charge)/credit	(1.2)	0.6
Loss for the year	**(4.8)**	**(1.8)**
Attributable to:		
Owners of the parent	(4.7)	(1.8)
Non-controlling interests	(0.1)	(0.1)
	(4.8)	**(1.8)**

Consolidated cash flow statement

(£ in millions)	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Cash flows from operating activities		
Cash generated from operations	23.7	26.3
Tax paid	–	(0.1)
Net cash inflow from operating activities	**23.7**	**26.2**
Investing activities		
Acquisitions (net of cash acquired)	(7.7)	(17.2)
Purchase of property, plant and equipment	(7.1)	(6.9)
Proceeds from business and asset disposals	0.6	–
Net cash outflow from investing activities	**(14.1)**	**(24.0)**
Financing activities		
Drawdown of bank loans	–	23.5
Bank and bond interest paid	(13.2)	(13.2)
Net cash (outflow)/inflow from financing activities	**(13.2)**	**10.3**
Net (decrease)/increase in cash and cash equivalents	**(3.6)**	**12.5**
Cash and cash equivalents at the start of the year	18.5	16.7
Cash and cash equivalents at the end of the year	**14.9**	**29.1**

Key performance indicators

	Q1 FY 2016	Q2 FY 2016	Q3 FY 2016	Q4 FY 2016
Other profit and cash flow data				
Revenue (£m)	135.5	139.2	144.4	146.7
EBITDA (£m)	17.7	19.6	22.0	20.8
LTM EBITDA (£m)	76.8	76.9	80.4	80.2
Operating profit (£m)	0.5	1.7	3.3	6.0
NHS dentistry services as a percentage of revenue	68.4%	68.0%	68.7%	68.1%
Private dentistry as a percentage of revenue	14.9%	15.5%	15.4%	15.2%
Practice services as a percentage of revenue	16.7%	16.5%	15.9%	16.7%
Like-for-like private revenue growth	10.4%	14.2%	13.0%	8.2%
Gross profit margin %	45.7%	45.8%	45.8%	45.4%
Overheads as a percentage of revenue	32.9%	32.0%	30.9%	31.6%
EBITDA margin	13.1%	14.1%	15.2%	14.2%
Number of dental practices	651	666	669	672
Maintenance capital expenditure (£m)	5.9	4.6	5.9	5.8
Cash conversion after maintenance capital expenditure	100.2%	95.7%	73.3%	96.6%
Estimated pro forma adjusted EBITDA (£m)	83.3	83.9	85.9	87.2

Industry

Overview of the UK healthcare system

Government spending on healthcare in the United Kingdom (excluding pharmaceuticals) for the year ended 31 March 2016 was approximately £138 billion, broadly in line with spending in the previous year in nominal terms. The provision of healthcare in the United Kingdom is dominated by the National Health Service (the "NHS"), a public sector body, and its affiliates. The NHS was founded in 1948 under the principles of universality and equality, to provide publicly funded access to medical care to all residents of the United Kingdom. Despite numerous political, administrative and organisational changes, the NHS remains a universal service that provides healthcare on the basis of need and not on ability to pay. The NHS is funded through taxation and national insurance contributions. Private health insurers and independent providers of healthcare play a comparatively small role in the healthcare sector in the United Kingdom. The UK Office for National Statistics estimated that the independent sector (not-for-profit and for-profit) accounted for approximately 17% of the total healthcare expenditure in the United Kingdom, with the NHS contributing 83%, in each case for the year ended 31 March 2013. Excluding certain prescribed drugs and primary care eye and dental care, which require patient contributions (other than for certain exempt groups) all public healthcare services provided by the NHS are free to the patient at the point of delivery. Healthcare and health policy for England is the responsibility of the UK Government, whereas in Scotland and Wales it is the responsibility of the respective devolved governments. In England, the NHS is supervised by the Department of Health.

The UK healthcare system

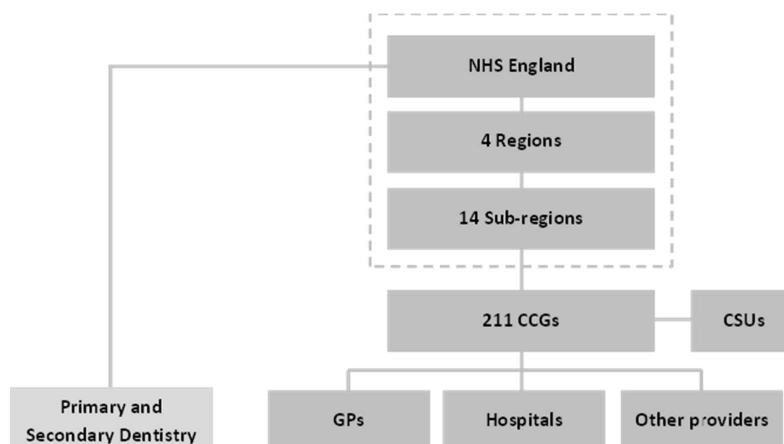
The UK healthcare system is divided into the primary and secondary care subsectors. Primary care consists of routine medical care, check-ups and outpatient medical services. Primary care service providers include general practitioners ("GPs"), dentists, opticians, pharmacists, NHS walk-in centres and NHS Direct (the NHS's online and telephone health advice and information service). These services are delivered by a wide range of independent contractors on behalf of the NHS, including GPs, dentists, pharmacists and optometrists. Care that goes beyond primary care is referred to as "secondary care" (also known as "acute care"), which consists of hospital-based care and specialised consultative healthcare accessed through referral from a primary or community health professional, such as a GP. Secondary care services include emergency and urgent care, acute care, ambulance services and mental health and elder care services.

Dentistry is essentially a primary care discipline insofar as the vast majority of patient care takes place in an outpatient surgery setting and most treatments are routine and are provided by generalists. Dental treatments beyond the primary level include, amongst others, orthodontics, restorative and paediatric treatments and complicated surgical extractions (both in-patient and out-patient). Primary care dentistry makes up the majority of the total dental market and is weighted towards NHS dentistry services.

NHS

In an effort to reduce costs and modernise the healthcare system, independent healthcare service providers have been permitted to compete and offer their services in certain subsectors of the NHS. Due to capacity and capital constraints, private sector involvement in the NHS has grown. The extent of private sector involvement is determined by the need and willingness of the NHS to outsource these services.

The following diagram presents the NHS organisational structure as of 31 March 2016:



Clinical Commissioning Groups ("CCGs") and NHS Regions share the responsibilities for commissioning services for their local communities, with NHS Regions acting on behalf of the NHS England (in England) in respect of dental services. The NHS England National Board has regional and local teams to facilitate relationships with providers, but operates as one national body.

NHS Regions play a key role in the oversight of commissioning, maintaining a focus on addressing unequal access to healthcare and ensuring the right balance between consistency and the adoption of national frameworks and localisation. They also support the coordination of some of NHS England's nationwide initiatives. The NHS Regions in England have direct commissioning responsibilities for GP services, dental services, pharmaceutical services, and certain aspects of optical services, and as such represent the interface for the majority of services at a local level, though the contracting party for such services is NHS England.

NHS Regions and CCGs can commission any service provider that meets NHS standards and costs. These can be NHS hospitals, social enterprises, charities or private sector providers. They must, however, be assured of the quality of the services they commission, taking into account both National Institute for Health and Care Excellence ("NICE") guidelines and CQC data regarding service providers.

Budget environment

For the year ended 31 March 2016, the UK Government budget for the NHS in England was £101.7 billion. Budgeted expenditure for NHS England for the year ended 31 March 2017 is £106.5 billion, an increase of 4.7%. Following the 2015 election the UK Government pledged to increase expenditure on the NHS by £8 billion by 2020.

The UK dental service market

Introduction

The dentistry services market in the United Kingdom is critical to ensuring the oral health of the UK population, with over one million patient contacts per week occurring within NHS dentistry services alone. Oral health is not only important to a patient's appearance and sense of well-being, but also to overall physical health. According to the World Health Organization, oral diseases are the most common of the chronic diseases worldwide and are important public health problems because of their prevalence, their impact on individuals and society, and the expense of their treatment. Cavities and gum disease may contribute to many serious conditions, such as diabetes, cardiovascular diseases and respiratory diseases, and lead to serious infections.

Residents of the United Kingdom are entitled to receive all clinically necessary dental treatment from the NHS. Primary care NHS dentistry services are available to adults and children without registration in England and Wales from dentists who are contracted to provide NHS dentistry. In Scotland, adults and children must be registered with a dentist to receive treatment.

Dental treatment in the United Kingdom can be either fully funded or part-funded by the NHS or privately funded by the patient (whether directly or through the use of a dental payment plan or insurance). Free NHS dental treatment is available for specified groups of patients who are exempt from payment, such as children, new and expectant mothers, and individuals on certain benefits. In addition, in Scotland all dental examinations are free to the

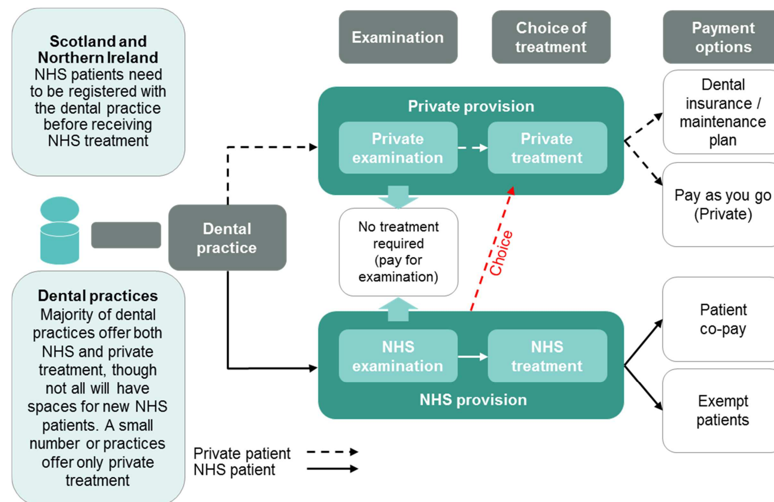
patient. Patients not exempt from payment pay a contribution toward the cost of NHS dentistry services. Patients with low incomes who do not fall into any of the specified groups of patients who are exempt from payment may be entitled to reduced patient contributions.

Any treatment needed to keep mouth, teeth and gums healthy and free of pain may be made under NHS dentistry services. In England, this includes dentures, root canals, extractions, crowns and bridges, any preventive treatment needed such as a scale and polish, an appointment with a dental hygienist, fluoride varnish or fissure sealants, the removal of wisdom teeth if necessary, silver-coloured (amalgam) filings or white fillings where clinically appropriate, and orthodontics for under-18s if considered clinically necessary.

Patients have the option of choosing private dentistry services, NHS dentistry services or a combination of private and NHS dentistry services depending on their preferences. NHS dentistry services are almost exclusively provided by the private sector with the vast majority of dentists practising in primary care settings offering NHS dentistry services or a combination of NHS and private dentistry services, with fewer than 10% of dentists carrying out private dentistry services only. Laing & Buisson estimated in 2013 that just over 22% of patients received wholly private dentistry care, and 2% of patients received a mix of private dentistry services and NHS dentistry services. In contrast to NHS dentistry services, private dentistry services differ in that:

- treatment prices are set by the dentist and are typically more expensive than NHS prices;
- there are no subsidised patients, and patients typically pay the full amount for their treatment at the time of their visit;
- patients receive faster service and the range of treatments, technologies and materials available is unrestricted; and
- private dentists' patient lists are typically half the size of those in NHS practices.

The following diagram presents a typical patient journey for NHS dentistry services and private dentistry services:



Market overview

According to Laing & Buisson, the primary care dentistry market in the United Kingdom generated £3.6 billion in spending on NHS dentistry services and £2.2 billion in spending on private dentistry services, in each case in the year ended 31 March 2014. The NHS funding of NHS dentistry services represents less than 3% of the overall UK Government health expenditure on the NHS.

The primary care dentistry market has seen significant growth, with overall spending increasing by a compound annual growth rate of approximately 5% in nominal terms between the year ended 31 March 1998 and the year ended 31 March 2013. The economic downturn softened demand for private dentistry in the twelve months ended 31 March 2008 and 2009 as recessionary impacts held back consumer purchasing, with patients shifting from private to NHS dentistry to save on costs. From the year ended 31 March 2005 to the year ended 31 March 2014, private dentistry experienced a compound annual growth rate of less than 1% per annum in nominal terms. In contrast, NHS dental expenditure has remained resilient in the downturn and maintained positive nominal growth, with annual growth of 4% over the same period in nominal terms. Historically, NHS funding for dentistry has not

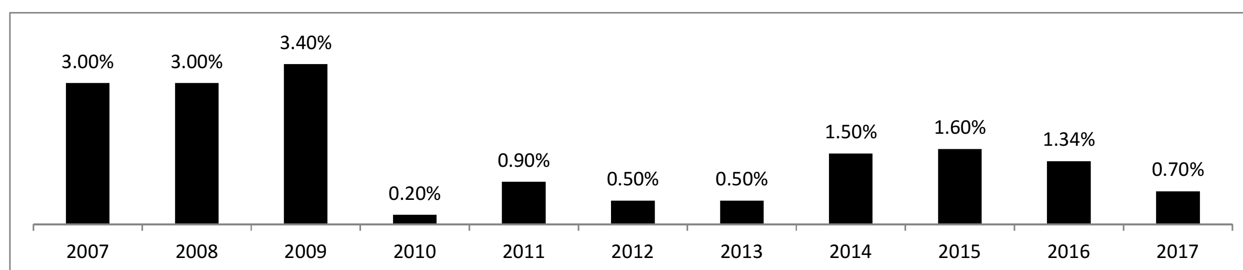
shown a strong correlation to the macroeconomic environment underpinning the stability of the sector throughout economic cycles.

Since the introduction of UDA-based contracts to commission NHS dental services in 2006, UDA volumes and values had increased each year to 31 March 2014. However, estimated NHS data for the six months to 30 December 2015 shows that the number of UDA's delivered in the current contract year have fallen by 1.6% when compared to the final data for the equivalent period in 2014. This decrease is primarily due to increased NHS scrutiny of claims and performance benchmarks and a decrease in exempt patients as a result of an improving economy.

An additional 2.0 million patients had access to a NHS dentist in England in the 24 months ended 31 December 2015 compared to the 24 months ended 31 March 2006, driven by the UK Government's continued commitment to increase access to NHS dentistry. Over the same period, UDA values were steadily adjusted upwards, with a price increase of 1.6% for the contract year ending 31 March 2015 and 1.34% for the contract year ending 31 March 2016. A price increase of 0.7% has recently been announced for the contract year ending 31 March 2017.

The following chart shows annual UDA contract uplifts from 2007 to 2017:

UDA value growth:



Source: Doctor's and Dentist's Remuneration Board, Department of Health, NHS Information Centre.

Supply and demand

According to the General Dental Council, there were approximately 41,000 dentists registered to practice dentistry in the United Kingdom at the end of October 2015. Dental practices are typically either small or medium-sized private businesses owned either by an individual or a partnership of dentists, or are owned by a dental body corporate. Compared to other European countries, the United Kingdom has one of the lowest rates of dentists per capita, with only approximately 500 dentists per one million members of the population. This compares to approximately 650 in France and approximately 800 in Germany.

Access to NHS dentistry services continues to grow; however, according to the Health and Social Care Information Centre, less than 56% of the population accessed NHS dentistry services during the 24 months to 31 December 2015, substantially below the UK Government's target access rate of 64%.

Significant efforts have been made by the UK Government to improve the supply of dentists to address historical shortages. These efforts have focused on opening new UK dental schools and expanding enrolment, and attracting more EEA-qualified dentists into the United Kingdom. Since 2002, there has been an expansion in the number of places available for students at dental schools in the United Kingdom. In England alone, training places increased by approximately 25% in 2005 (from 670 to 840 places), which helped offset the impact of older dentists retiring and resulted in a progressive increase in UK-educated dental graduates from 2009. This was accompanied by a substantial capital investment programme focused on new training facilities, most recently manifesting itself in the opening of two new dental schools in the southwest of England and in Scotland in 2007 and 2008, respectively. According to the General Dental Council, the inflow of dentists from the EEA has continued, with registered dentists increasing to 6,946 at December 2014 from 5,053 at December 2007, aided by a change of UK Government requirements for such dentists to practice in the United Kingdom.

Significant unsatisfied demand for more NHS dentistry services persists, as only 30.2 million patients in England were seen by a NHS England dentist in the 24 months ending 31 December 2015, an increase of only 2.0 million over the March 2006 baseline. Overall, 55.5% of the population of England was seen by an NHS England dentist in the 24 months ended 31 December 2015. Meeting the UK Government target of 64% would provide access to NHS dentistry to approximately four million new patients in England. Demand continues to be driven by an ageing population and an increased public understanding of the importance of good dental hygiene.

Highly regulated market

As with other healthcare sectors, the UK dental market is a highly regulated market in which dental professionals must be registered with the regulatory body, the General Dental Council, in order to work in the United Kingdom. Since April 2011, the activity of dentists in England has also been subject to regulation by the CQC, which is responsible for ensuring that the care and treatment provided by all dental practices in England meet government standards of quality and safety. See "Business—Regulation". Under the current contract system the provision of NHS dentistry services is subject to more regulatory oversight than private practice due to the nature of the tendering process and the importance of strong relationships with NHS England.

We believe that the highly regulated nature of the provision of NHS dentistry services provides a competitive advantage to existing market participants, due in part to:

- *Evergreen GDS NHS contracts*. The majority of NHS dentistry contracts are evergreen GDS contracts with no contracted end date, resulting in a limited number of new NHS dental contracts being put out for competitive tender. NHS contracts are unlikely to be moved to another supplier unless there is significant underperformance. See "Business—NHS framework contracts".
- *Ability to attract and retain qualified dentists*. Dental qualifications are required to work within a practice and overseas dentists need to go through UK registration processes before they can practice in the United Kingdom. We believe this works to the advantage of larger market participants, like us, who are better able to absorb talent sourcing and retention costs, including in respect of overseas sourcing when necessary.
- *NHS relationships*. The process for awarding UDAs can be lengthy and is often done by tendering to the general market. However, we believe that preferred and existing suppliers with track records of delivering UDA targets have historically been more successful in winning contract tenders. Large-scale suppliers of NHS dentistry services also tend to have strong relationships with NHS England.

Market trends

We believe that there is significant scope for growth in demand for dental services in the United Kingdom as the market remains underdeveloped in terms of both spending and the supply of dentists. Structural growth factors have driven real growth in NHS dental spending over the last decade, and provide strong prospects for continued future growth.

The sector benefits from a number of favourable long-term trends in healthcare generally and dentistry in particular, including, amongst others, an ageing UK population, increased dental health expectations and increasing public understanding of the importance of good dental hygiene, as well as technological advances facilitating access to new treatments to more patients at lower costs.

NHS dentistry is considered a key front-line service of the UK Government. Despite recurring cycles of macroeconomic volatility, NHS volumes and values have both remained stable. Around 40% of the UK population does not visit the dentist on a regular basis, with the majority of this population base receiving dental treatment irregularly and a small proportion never visiting a dentist.

UK dental spending and dentists per capita remain low compared to other western European countries. According to Laing & Buisson, average spending on primary care dentistry per capita amounted to just over £90 in the twelve months ended 31 March 2014 in the United Kingdom, with patient spending (on NHS and private dentistry) per capita at £46 and the remaining £44 funded by the NHS. Over the last few years, the UK Government has made substantial investments in increasing capacity in UK dental schools, with some additional capacity beginning to enter the market with approximately 918 dentists graduated in 2013, an increase of approximately 36% compared to 2004, to meet this shortfall in the supply of dental services.

The highly fragmented UK dental market provides considerable scope for consolidation for nationwide operators with the platform and resources to drive consolidation. The consolidation trend in the UK primary care dentistry market is expected to continue over the long term, as existing corporate groups continue to expand.

The UK dental supplies market

The UK dental supplies market represents an estimated £400-500 million in spending per year and consists of a few key distributors supplying dental consumables and materials to dental practices throughout the UK. Products supplied range from dental consumables, specialist products including orthodontics, oral hygiene, implant products and dentistry equipment such as dental chairs and cabinetry to digital imaging systems. In addition, services offered include equipment installation and maintenance. These distributors primarily sell through field based sales representatives, online and mail order services.

Business

Overview

The group is organised into two distinct business units. Our patient services division offers a wide range of NHS and private dentistry services to patients and our practice services division provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division. For the year ended 31 March 2016, the group recorded revenue of £565.9 million and generated EBITDA of £80.2 million.

Through our patient services division, we are the leading provider of dental services in the United Kingdom, with 597 NHS dentistry contracts across our network of 672 dental practices throughout England, Scotland, Wales and following an acquisition in the year ended 31 March 2016, Northern Ireland. We have a market share of approximately 6% in terms of number of dental practices and 8.2% in terms of revenues. At 31 March 2016, 418 practices operated under the "mydentist" brand. Our dentists offer a broad range of primary care dental services in our dental practices, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. We operate in the UK dental market, which benefits from stability in terms of volume and pricing and from increased government focus on improving access to dental services. During the year ended 31 March 2016, the patient services division contributed revenue of £472.7 million and EBITDA of £69.8 million, before the elimination of intragroup trading, to the group results.

Our patient services division's core business is the provision of primary care dental services under long-term contracts with NHS England, which we refer to as "NHS dentistry services". NHS dentistry services accounted for 68.3% of our group revenue for the year ended 31 March 2016. The majority of our dental practices also provide private dentistry services, including general dentistry, hygienist, and cosmetic and specialist services, such as sedation, implants and orthodontics. Private dentistry services accounted for 15.3% of our group revenue for the year ended 31 March 2016. 86% of our dental practices are located in England, with 6% in Scotland, 7% in Wales and 1% in Northern Ireland.

We provide NHS dentistry services in England and Wales pursuant to contracts competitively tendered with the NHS specifying targeted annual volumes of units of dental activity ("UDAs") for the contracted dental practice or entity. We refer to these contracts as "NHS dentistry contracts". Unlike other UK health subsectors, such as care homes, there is no single NHS dentistry contract. Instead, our individual dental practices enter into separate NHS dentistry contracts with NHS England (or, in the case of Wales, with Welsh health boards). As at 31 March 2016, our dental practices were contracted under 597 such NHS dentistry contracts. Each NHS dentistry contract in England and Wales for UDAs specifies a fixed UDA volume per year target, and each UDA delivered under an NHS dentistry contract is assigned a fixed value in a given year, with the number of UDAs per treatment varying based on the treatment provided. Approximately 93% of our NHS dentistry contracts, covering 59% of our revenue in the year ended 31 March 2016, consist of general dentistry services ("GDS") contracts, which we refer to as "evergreen" as they have no fixed term and roll over indefinitely so long as 96% (95% in Wales) of the UDA performance targets are met. If the performance target is not achieved three times, then the contract could be terminated or the number of contracted UDA's renegotiated. None of our GDS contracts have ever been terminated. UDA rates are set annually and historically have benefited from annual price increases ("contract uplifts"), with the contract uplift for the contract year ending 31 March 2016 constituting a 1.34% increase over the prior contract year for England (with an uplift of 1.60% in Scotland). Unlike other UK healthcare sectors, NHS dentistry services providers benefit from individually negotiated contracts.

We are paid for our NHS dentistry services in equal monthly installments of our annual contracted value. This results in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying the related costs. Private dentistry services are typically paid for by the patient prior to treatment.

A typical dental practice for us has three or more dental chairs, with three or four self-employed, independently contracted dentists offering primary care dental services under an NHS dentistry contract, supported by three to four nurses employed by us. As at 31 March 2016, over 2,600 self-employed, independently contracted dentists worked in our dental practices, supplemented by approximately 200 dentists not assigned to a single practice, which we refer to as "locums", and supported by approximately 6,750 dental and central support staff. In addition, approximately 450 hygienists work across our dental practices.

We own the NHS dentistry contracts and infrastructure of our dental practices and employ the dental support staff, whilst contracting with self-employed dentists for provision of dental services. We believe our business model is attractive to dentists as we enable them to focus on dentistry by taking on the administrative, regulatory and

compliance burdens associated with running a dental practice. Amongst our most significant costs are dentist fees and costs for laboratory work and materials, all of which are directly linked to volumes of sales and activity.

In connection with our strategy to drive value and grow our business through acquisitions of suppliers of consumables, materials, equipment and services, on 17 April 2014, we acquired The Dental Directory, a distributor of dental consumables and materials to dental practices throughout the United Kingdom. The Dental Directory, together with dbg, formed the group's practice services division.

The Dental Directory distributes a catalogue of approximately 25,000 products from its central logistics platform through its on-line and mail order service, including dental consumables, specialist products including orthodontics and oral hygiene and implant products and dentistry equipment ranging from dental chairs and cabinetry to digital imaging systems. The Dental Directory also carries out services such as installation and maintenance and has a handpiece repair business.

During the year-ended 31 March 2016, the practice services division expanded further with the acquisition of three new businesses: Med-FX, a distributor of facial aesthetics products and pharmacy was acquired on 31 August 2015; PDS Dental Laboratories Leeds, a leading dental laboratory, was acquired on 18 March 2016; and Dolby Medical, a medical supplies and equipment servicing business based in Scotland, was acquired on 31 March 2016.

The practice services division, which now employs around 400 staff and contributed revenue of £117.5 million and EBITDA of £11.2 million, before the elimination of intragroup trading, to the group results for the year ended 31 March 2016.

History

The predecessor company of our group was founded by a practising dentist in 1996. It listed on the Alternative Investment Market of the London Stock Exchange in 2002 and delisted in 2004. In 2006, it was acquired by Legal & General Ventures and was subsequently sold to Merrill Lynch Global Private Equity in 2008. On 11 May 2011, we were acquired by Carlyle and Palamon and were simultaneously merged with Associated Dental Practices, which owned 133 dental practices at that time. Associated Dental Practices was founded in 1985 by a group of dentists and experienced rapid expansion through both organic growth and acquisitions. Associated Dental Practices was acquired by Kaupthing Capital Partners in 2007 and was subsequently sold to a consortium led by Palamon in 2009.

In 2013 we formed our practice services division with the acquisition of dbg, which was followed by the acquisitions of The Dental Directory in 2014, Med-FX in 2015 and PDS Dental Laboratories Leeds and Dolby Medical in 2016.

We have expanded significantly through both acquisitions and organic growth, and we have gradually consolidated our position as the leading provider of dental services and a leading supplier of dental and other medical consumables, materials and services in the United Kingdom.

Patient services – "mydentist"

We are the leading provider of dental services in the United Kingdom. Our dental services consist primarily of primary care NHS dentistry and private dentistry services. We are not currently active in the secondary care dental services market. Our NHS dentistry and private dentistry services accounted for 68.3% and 15.3%, respectively, of our revenue in the year ended 31 March 2016.

As at 31 March 2016, we had a network of 672 dental practices in the United Kingdom, which provide both NHS and private dentistry services. More than 80% of our dental practices have three dental chairs or more and on average we have approximately four dental chairs per dental practice. A typical dental practice for us has three to four self-employed, independently contracted dentists offering primary care dental services under an NHS dentistry contract, supported by three to four nurses employed by us. In addition, approximately 450 hygienists work across our practices, the majority of whom are self-employed, independent contractors.

In the year ended 31 March 2016, our top 200 dental practices generated approximately 58% of our EBITDA before non-underlying items and support centre costs. In the year ended 31 March 2016, 97% of our dental practices generated positive EBITDA before support centre costs and non-underlying items. 19 of our dental practices made an aggregate loss in the year ended 31 March 2016. We are focused on improving the performance of the minority of our dental practices that is loss-making, including by marketing these dental practices to new and lapsed patients.

Our patient services division focuses on leveraging its economies of scale and offering services and support to its dentists and dental practices by assuming many of the administrative responsibilities associated with running a

dental practice as well as centralising and insourcing those administrative responsibilities to our central support function.

NHS dentistry services

We provide the majority of our dental services to NHS patients through NHS dentistry services. In the year ended 31 March 2016, revenue generated by our NHS dentistry services was £386.4 million, or 68.3% of our total revenue. We provide primary care dental services such as dental examinations, periodontal treatment, amalgam fillings, endodontics and extractions, as well as fitting bridges, crowns and dentures. Our dentists also provide advice on how to care for teeth and gums in order to prevent oral health problems.

Our dentists have a duty of care to offer and carry out all treatments that are within their professional capabilities, and they refer patients to appropriate specialised dentists both within and outside of mydentist dental practices if a specific dental service is outside their capabilities. However, during the course of a treatment, NHS patients can choose to receive private dentistry services offered by the same dentist.

Our NHS dentistry services are funded by the NHS, and by fixed patient contributions depending on whether or not such person is exempt, and varying in amount based on the type of treatment. The patient contribution is set by the NHS and revised annually. Patients contribute to the cost of NHS dentistry services on the basis of the type of services they receive, with the balance of payments paid by NHS England, so there are no material billing requirements vis-à-vis NHS dentistry payments. The full amount is contributed by the NHS where patients are exempt from payment. Exempt patients include students under 19 years of age, the unemployed, new and expectant mothers and pensioners. In addition, certain low income patients may be entitled to partial exemptions, depending on their income. Exempt patients tend to receive treatments with a higher UDA band mix greater than that for non-exempt patients.

Private dentistry services

We provide our private dentistry services to both NHS patients and non-NHS patients. In the year ended 31 March 2016, revenue generated by our private dentistry services was £86.4 million, or 15.3% of our group revenue. All NHS patients can elect to receive private treatment, and private dentistry services may be provided as enhancements or add-ons to NHS dentistry services. In general, we provide our private dentistry services in the same dental practices where we provide our NHS dentistry services. We work to expand patient choice by broadening our offering of private dentistry services. Whilst dentists working in our dental practices may educate patients as to our private dentistry services, the choice of private dentistry services lies solely with the patient.

Certain cosmetic and advanced dental treatments can only be offered as part of our private dentistry services. The most common treatments that patients opt for privately include white fillings, advanced crowns and bridges, advanced dentures, implants, teeth whitening, facial aesthetics, hygienist services, orthodontics and treatments by specialised dentists. Other specialist dentistry services offered in some of our dental practices include sedation dentistry services, oral surgery, domiciliary services (that is, the treatment of patients outside of their dental surgery and at their residence), and oral pathology and maxilla facial surgery, which includes the diagnosis and treatment of oral lesions such as oral cancer. We also provide private periodontal services (that is, the advanced care of gum diseases) and advanced endodontic dental services (such as root canal therapy).

Typically, appointments for private dentistry services can be made in a few days whereas appointments for NHS dentistry services can take several weeks, making private dentistry services attractive to patients with greater disposable income. On average, follow-up appointments for private dentistry services can be arranged sooner and with more convenience than for NHS dentistry services.

Our private dentistry services are entirely funded by our patients whether through fee-per-service payments or the patient's dental insurance plan. Private dentistry services are typically paid in advance of treatment. The prices of private dentistry services are set by the individual dentist working within guidelines determined by us including minimum fee levels. The cost to the patient of private dentistry services (such as a white filling) is higher than the cost of a comparable NHS primary care dental service (such as an amalgam filling), with higher prices for more-complex procedures.

As the UK economy has strengthened, we have observed an increase across the market in demand for cosmetic dentistry, including tooth whitening, veneers and dental implants. Since May 2013, such services have been permitted to be carried out by hygienists and dental therapists without the need for a prescription from a dentist and we have grown in this area to meet demand.

Provision of services to our dental practices

Whilst dentists working in our dental practices and the hygienists, nurses and other staff that support them provide services to patients, we provide services such as procurement and estate management to our dental practices through a management contract between two of our operating subsidiaries, PTPL and Whitecross, and our dental practices.

Practice services

Provision of consumables, materials, equipment and services

Our practice services division sells dental consumables, materials and other supplies and services, both to our own dental practices and to third-party dental practices.

Our practice services division has one of the largest engineering teams in the United Kingdom, which carries out installations of surgery, equipment and digital imaging systems. The same engineering team also provides planned and reactive maintenance services to many brands of dental equipment and related types of equipment. In addition, our practice services division holds dealership agreements with a number of prominent dental equipment manufacturers and operates a handpiece repair business that services both our patient services division's dental practice and third-party customers.

We have integrated dbg and The Dental Directory with each other, as well as with the rest of our operations. This integration has included the development of customer and category plans, the consolidation of warehousing, distribution and logistics facilities and the recruitment of a senior divisional management team. During the year ended 31 March 2016 we have expanded the service offering provided by our practice services division with the acquisition of Med-FX, a provider of facial aesthetics supplies, PDS Dental Laboratories Leeds, a state-of-the-art laboratory providing crown and bridge work, dentures and implant assistance to dentists across the country and Dolby Medical, a leading supplier in Scotland of dental equipment and services. We intend to maintain the brands dbg, The Dental Directory, Med-FX, PDS Dental Laboratories Leeds and Dolby Medical for the foreseeable future.

The Dental Directory distributes a catalogue of approximately 25,000 products from its central logistics platform through its on-line and mail order service, including dental consumables, specialist products including orthodontics and oral hygiene and implant products and dentistry equipment ranging from dental chairs and cabinetry to digital imaging systems. The Dental Directory also carries out services such as installation and maintenance and has a handpiece repair business., a supplier and servicer of medical and dental equipment and supplies. We believe that each of the acquisitions will deliver significant cost savings and synergies to us and will allow us to drive economies of scale in terms of purchasing and other efficiencies that will benefit all customers of The Dental Directory and dbg (including our dental practices).

Central support function

Our business model focuses on leveraging our economies of scale and offering services and support to our dentists and dental practices by assuming many of the administrative responsibilities associated with running a dental practice and centralising and insourcing them to our central support function. In addition to managing the performance of our dental practices, our central support function also provides the following services: IT, compliance, regulatory, legal, finance, human resources, health and safety, risk management, talent sourcing, training, insurance, property oversight, the administration of patient records, acquisitions, payroll, marketing, information sharing and logistics functions. For the year ended 31 March 2016, our patient services central support function resulted in costs of £25.7 million, which constituted 5.4% of patient services revenue for the year.

NHS framework contracts

Overview

Our patient services division provides our NHS dentistry services to patients under various types of framework contracts. Our individual dental practices enter into separate NHS dentistry contracts with NHS England (or Welsh health boards in Wales). The NHS Regions administer the NHS budget on behalf of the NHS and NHS England tenders contracts on behalf of the NHS to dental care providers such as us. Under the current NHS system, which was introduced in 2006, the value of the framework contracts is primarily based on volume, specifically UDAs. Accordingly, our dental practices are remunerated based on the number of UDAs they complete in a contract year.

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. We also receive mid-year UDA performance statements and, if a dental practice has failed to meet 30% of its annual target by 30 September, the NHS Region may adjust payments made under such contract for the remainder of such contract year to correspond to an annual performance of two times of what the dental practice has achieved to 30 September. Dental practices are only paid for exceeding the number of UDAs contracted on a case-by-case basis upon approval by NHS England.

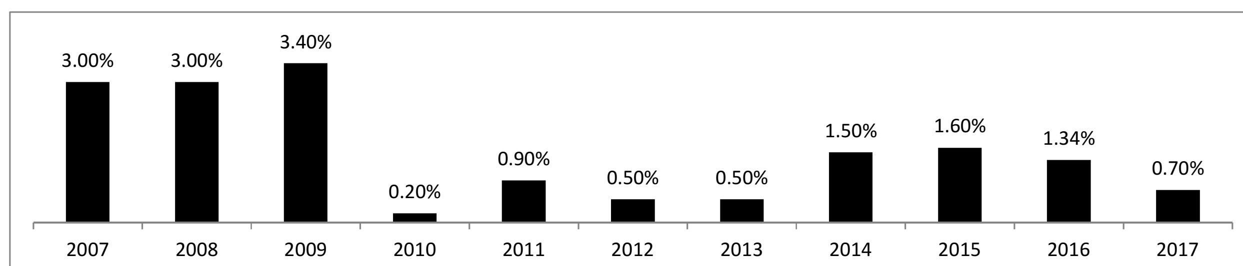
In general, UDA values differ across the United Kingdom and amongst our dental practices. The average value of a UDA in England is currently approximately £26.13. The number of UDAs awarded for a particular treatment depends on the type of treatment provided. Dental treatments are split into four bands based on the type of treatment, the number of UDAs applicable to such treatment and the patient contribution in respect of such treatment during the year ended 31 March 2016 are set out in the table below:

	Treatment included	Number of UDAs	Patient charge			
			England		Wales	
Band 1	Examination, prevention and advice, radiographs and scale and polish	1	£	18.80	£	13.00
Band 2	Band 1 plus all fillings, root canal therapy and extractions	3	£	51.30	£	42.00
Band 3	Band 1 and 2 plus any medical device constructed by a lab including crowns, bridges and dentures	12	£	222.50	£	180.90
Band 1a	Urgent treatment to include advice, 1 filling and 2 extractions	1.2	£	18.80	£	13.00

Patients treated at our Scottish dental practices pay 80% of the gross cost of each course of treatment up to a maximum of £384, other than exempt patients, whose treatments are paid for by the regional Scottish Health Boards.

The value per UDA to date has been subject to annual contract uplifts as recommended by the DDRB and promulgated by the Department of Health, which may or may not accept the DDRB's recommendation. The contract years ended 31 March 2014, 2015 and 2016 saw contract uplifts of 1.5%, 1.6% and 1.34% respectively. Recently, an uplift of 0.7% was announced in respect of the contract year ending 31 March 2017. Historically UDA values have never declined in nominal terms since their introduction in 2006.

The following table presents the contract uplifts for each of the contract years (ending 31 March) since 2007:



Types of NHS dentistry contracts

There are two primary types of NHS dentistry contracts:

- General Dentistry Services ("GDS") contracts are evergreen contracts with no end date that automatically roll over upon the achievement of targeted UDA volumes. Generally, the volume of UDAs contracted under GDS Contracts cannot be reduced unless volume targets are not met. Absent the termination events described under "—Key terms of NHS dentistry contracts", a GDS Contract may only be terminated if there is UDA underperformance of more than 4% (or 5% in Wales) in any three years and the cumulative effect of breaches of such NHS dentistry contract would be prejudicial to the efficiency of the services to be provided under the contract, and even then the more likely scenario is amendment of the contract rather than cancellation. Volumes of UDAs under the contract can only be varied by mutual consent. For the year ended 31 March 2016, approximately 59% of our revenue was generated under GDS Contracts.

- Personal Dentistry Services ("PDS") contracts are fixed-term contracts, usually with terms of three to five years. PDS contracts can typically be converted into GDS Contracts. Like GDS Contracts, the volume of UDAs contracted under PDS contracts cannot generally be reduced unless volume targets are not met. For the year ended 31 March 2016, approximately 5% of our revenue was generated under PDS contracts. In addition, the UK Government has begun supporting a policy requiring PDS contracts to be competitively re-tendered at expiry, though the impact of this policy change has yet to be fully reflected throughout the system.

In Scotland and Northern Ireland, non-salaried dentists are compensated on the basis of the number of patients registered with them and for procedures performed. Scottish dental practices may also receive additional practice allowances to assist in the upkeep of their premises. Scotland and Northern Ireland do not employ volume targets, and earnings of dental practices are uncapped. For the year ended 31 March 2016, 2.1% of our revenue was generated in Scotland and 0.5% in Northern Ireland.

In addition to general dental services, we provide specialised dental services that a general dentist may not be able to carry out. These services may be added on to our GDS or PDS general dentistry services contracts, or may be subject to separate framework contracts with NHS England.

- Orthodontic treatments are subject to a system similar to the UDA system, with the value of the framework contracts primarily based on units of orthodontic activity ("UOA"). Each orthodontic treatment equals 21 UOAs - that is, one UOA attributed to the examination and 20 UOAs attributed to the fitting of the brace and the ongoing related dental care of the patient. Payments under these framework contracts are made to us on a monthly basis, with any shortfalls trued up following the contract year-end.
- Sedation dentistry services are contracted and paid in a manner similar to UOAs.
- Oral surgery, which includes the extraction of difficult to remove teeth that a general dentist may not be able to perform, are contracted based on a target number of patients or visits or by types of treatment, and depend on referral volumes. Payments under these framework contracts are made to us on a monthly basis, with any shortfalls trued up following the contract year-end.
- Domiciliary services, which include the treatment of patients outside of a dental surgery (usually at a patient's residence), are contracted based on a target number of patients or visits. Payments under these framework contracts are made to us on a monthly basis, with any shortfalls trued up following the contract year-end.
- Oral pathology and maxilla facial surgery services, which include the diagnosis and treatment of oral lesions such as oral cancer, are mostly carried out as secondary care, and paid by the NHS based on a course of treatment.

Key terms of NHS dentistry contracts

The specific terms of any given NHS dentistry contract vary depending on the NHS Region and the outcome of negotiations at the time the contract is awarded by NHS England. In addition to the terms related to contract duration, volumes and prices described above, all our NHS dentistry contracts include a general quality of care requirement. Failure to meet this quality of care requirement could result in loss of the applicable contract. NHS dentistry contracts also include limitations on assignment and, in most cases, a change of control absent consent of NHS England. Our NHS dentistry contracts are also generally terminable by NHS England upon certain insolvency events, if the contracted entity's financial situation is such that NHS England considers that NHS England is at risk of material financial loss or on grounds the contracted party is unsuitable for reasons such as disqualification, sanction or criminal activity. For other breaches of such contracts, such as underperformance in terms of UDA volumes, the contracts are only terminable by NHS England after service of notice on the contracted party of the breach and a provision of time for the contracted party to cure such breach. In our experience, NHS England has been willing to renegotiate contracts for lower volumes of UDA in lieu of terminating contracts due to underperformance. Out of our 597 NHS dentistry contracts, none of our GDS contracts have been terminated.

Tendering of new contracts

A majority of NHS dental contracts in England and Wales were allocated in 2006. Because most of these are GDS contracts with no fixed end date, a limited number of new NHS dental contracts are issued for competitive tender each year. In practice, new dental contracts tend to be issued for tender only if:

- the NHS Region has identified a shortfall in the existing supply of NHS dental treatment compared with the estimated need for dental services in that geographic locality;
- a dentist holding an existing NHS dentistry contract dies, retires or decides to abandon his or her contractual rights; or
- NHS England terminates a dental practice's contract in accordance with its terms.

Tenders are advertised through various channels which we monitor. Tenders for contracts are competitive, and winning bids tend to be those determined by the NHS Region to offer the best price, quality of service and care, compliance and timetable, along with other localised factors.

New framework agreement proposals and pilot programmes

The UK Government has proposed changes to the current model of contracting NHS dentistry services that would move away from a strictly volume of services metric (namely, UDAs) to an approach that takes into account preventative treatment and increased access to dentistry services. The proposed changes would partially replace the UDA system with remuneration based on capitation (that is, the number of patients treated and the treatments provided), an activity measure (yet to be determined) and quality of care metrics, including clinical outcomes, patient experience and patient safety. Whilst precise timing remains uncertain, we expect that the current model, if any, would be fully implemented no earlier than 2019-2020.

In order to test the proposed payment models prior to implementation across the UK dental market, the Department of Health began a pilot programme in May 2011, which was expanded and revised in April 2013 and ended in September 2015. Three pilot payment schemes were tested:

- Pilot 1, Guaranteed Income Model. Under this pilot programme, payment for services is fixed so long as a given level of care time is provided for NHS patients, with some portion of remuneration for dentistry services based on achieving quality of care targets.
- Pilot 2, Weighted Capitation and Quality Model. Under this pilot programme, 90% of the payment for dental services is based on the number patients treated, with prices weighted by age, sex, and the socioeconomic and demographic profiles of the locality. Of the remainder of the payment, 6% is linked to clinical outcomes and effectiveness, 3% is linked to the patient experience and 1% is linked to patient safety.
- Pilot 3, Weighted Capitation and Quality Model Plus Fee for Complex Care. This pilot programme is similar to Pilot 2, but with the added element that the provision of complex care is remunerated separately in addition to payments for the weighted capitation and quality model.

After ending the pilot programme in September 2015, the Department of Health introduced the first phase of a new prototype contract programme beginning in October 2015. The second phase of the programme will be tested in 2017 and 2018 and, if adopted, the revised payment plan based on the prototype programme would gradually be introduced. The new prototype programme uses two different approaches to determining remuneration, blending (i) patient numbers, (ii) types of dental activity and clinical and operational key performance indicators, such as clinical effectiveness, best practice, patient experience, safety and data quality. The prototypes also involve active performance management by NHS England.

We were involved in the development, testing and review of various pilot programmes on behalf of the NHS and we have engaged with the Department of Health and the BDA in relation to the prototype roll out and development, with four of our practices (three of which previously participated in the pilot programmes) participating as prototypes. We believe that our involvement in the development of these pilot programmes and prototypes will provide us with a competitive advantage by allowing us to prepare for coming changes and by giving us a voice in their implementation. However, as the actual policy changes have not yet been finalised by the UK Government and the exact timeline of the implementation has not yet been set, and as high-level changes in relevant UK Government administrative roles have changed since the Steele Review in 2008, no assurance can be given that the new framework agreements will be implemented in the manner we expect, or at all.

We believe that changes to the current model of contracting NHS dentistry services, if any, present an opportunity for us. As the leading provider in the market, we have the capacity, scale and resources to quickly adapt to change. Specifically, we believe that capitation requirements will make the recruitment of patients more important, and that our IT systems, developing CRM capabilities and sales and marketing resources provide us competitive advantages in patient recruitment. Since it is likely there will be a quality component to any new contracting arrangement, we also believe that our clinical governance procedures and dentist, hygienist and nurse training resources will also benefit us compared to our smaller competitors. The proposed focus on preventative care and increased responsibilities for hygienists and nurses could help us operate more efficiently, with dentist time being spent delivering more critical treatments. We may also benefit from any standardisation of UDA rates. Any change would affect the provision of dental services throughout England and Wales, so we believe that the UK Government will try to ensure that any such change is essentially revenue neutral for NHS dentistry as a whole so as not to disrupt the provision of dental services or encourage a migration of dentists into private dentistry services.

Dental professionals

Dental professionals in or affiliated with our workforce consist of highly trained dentists who are self-employed, independent contractors, and a team of dental staff which includes practice managers, highly skilled dental nurses, hygienists, dental therapists and dental assistants.

Dentists

Dentists working in our dental practices are self-employed, independent contractors known as dental surgeons, and we enter into contracts with our dentists using our standardised associate agreement which has been reviewed by the BDA and which we understand to comply with HMRC requirements for independent contractors. We provide the dentist with the facilities, equipment, staff, materials and patient list in exchange for notional monthly licensing fees paid by dentists to us. We individually negotiate the compensation arrangements in the standardised associate agreements with each dentist working in our dental practices, and so are able to vary the compensation paid to dentists based on prevailing rates in the applicable local markets for dentists. Under the associate agreements with dentists, dentists receive a fixed percentage fee per UDA delivered, in the case of NHS dentistry services, and a percentage of fees paid for private dentistry services delivered. Contracts with dentists in our dental practices typically are evergreen, but terminable by either party upon four months' notice and include non-compete terms that prevent dentists from competing against us within a certain geographic radius of our dental practice after such contracts' termination. We also have arrangements with dentists, some of whom are our employees, that are not assigned to any single dental practice but provide services where they are most needed, including in response to local shortages or areas in the United Kingdom that do not have full-time dentists. A small number of our dentists are employees.

To legally practice dentistry in the United Kingdom, a dentist must be registered with the General Dental Council (the "GDC"), the regulatory body for dentistry, and must also abide by regulations promulgated under the CQC. Of our dentists, approximately 48.9% are British. In the past, we actively sourced dentists from EEA countries and non-EEA countries due to the shortage of dentists in the United Kingdom. The UK Government has invested in additional dental graduate training places, which has driven increased registrations in dental school intake within the United Kingdom, though the Department of Health announced a 10% decrease in training places due to concerns about a future oversupply of dentists. The NHS has also improved talent sourcing efforts to increase the number of dentists offering NHS primary care dentistry by, amongst other things, introducing a new Overseas Registration Exam which replaced the longer International Qualification Exam. We now primarily attract dental graduates and dentists qualified in the United Kingdom, and we are continuing to increase our presence in certain areas of the United Kingdom that have typically experienced the greatest levels of dentist shortages. The distribution of NHS dentists can vary widely across regions, and historically the sourcing of dental graduates and dentists has been particularly difficult in southwest England. We have a dedicated recruitment team to ensure that we take advantage of current talent market dynamics and attract high-quality dentists.

Because dentists working in our dental practices are self-employed, independent contractors, we do not contribute to their pensions, provide holiday pay, make employer National Insurance contributions or take other actions that would be necessary if dentists working in our dental practices were our employees. Dentists working in our practices have the freedom to treat a patient in the manner determined in their professional opinion to the best of their medical skill. As a result, dentists are solely liable for any medical negligence liability that occurs as a result of their performance of dentistry services. Dentists are required as a matter of professional conduct to carry their own medical negligence liability insurance coverage.

Providing quality care for our patients is our first priority, and to that end we focus on making training opportunities available to our dentists. We are currently rolling out an in-house training academy for our dentists, hygienists, therapists and dental nurses in order to ensure that our dentists stay abreast of the latest medical and technological developments in the provision of dental services. Our academy is the first major private post-graduate dental training facility owned by a dental body corporate in the United Kingdom, and it demonstrates our ongoing commitment to our dentists and support staff. This underlines our retention strategy, which is designed to encourage high performers to remain with, and develop in, our team.

Other dental professionals

Dental staff and employees support the work of dentists in our dental practices, and they include practice managers, dental nurses, independent dental hygienists, technicians working in dental laboratories and dental therapists. The clinical role of these non-dentists and dental professionals has expanded in recent years, allowing nurses and hygienists to take on greater responsibility in their respective practices, thereby increasing the time dentists are able to spend on more complex tasks. Like the dentists themselves, many of our dental employees are required to register with the GDC.

Dental nurses provide support to dentists in surgery and other clinical environments and are responsible for, amongst other duties, dental instrument sterilisation, operative care, the preparation of treatment materials and various clerical duties such as updating patient records. A nurse is required to be present whenever a dentist is treating a patient. We have historically experienced relatively high rates of churn amongst our nurses, and we are have introduced initiatives, including increased salaries and training, to reduce such churn.

Dental hygienists perform a wide range of procedures, such as providing local analgesics, scaling and polishing teeth, treat patients who are under conscious sedation (provided that a registered dentist remains in the room throughout these treatments) and providing general oral health advice. Dental hygienists are able to book and carry out certain limited procedures without a referral from a dentist. Most of our approximately 450 dental hygienists are independent contractors. Typically, we pay hygienists on the basis of work performed.

Dental therapists are legally permitted to handle preventive care and extractions or fillings under the supervision of a dentist, and dental technicians manufacture dental appliances such as braces, crowns, dentures and bridges.

Patients

Our patient base is broad, and generally reflects the diversity of the UK population, with a slight bias toward patients from less-privileged socioeconomic groups.

Sales and marketing

Patient services

We have implemented a variety of targeted marketing efforts that are aimed at attracting new patients and increasing visit frequency from existing patients. IT is a key focus in our marketing strategies. We are focused on online marketing efforts through a rebranded and interactive website with improved search engine capabilities that enable users to customise their searches for appointments, education and general questions about our business and the dentistry industry.

Each of our local dental practices has its own page on our main website. In addition, certain practices, particularly those offering specialist services, have individually tailored marketing programmes which typically include bespoke brochures and leaflets and standalone practice websites. Where appropriate, individual practices may also undertake their own marketing programmes as part of the normal patient re-call process, including through the use of specific posters, leaflets or banners displayed outside the relevant practices.

We are developing a new patient management system to improve our ability to analyse the approximately five million active patient records we hold. The primary aim of this new system is to enable us to direct tailored marketing initiatives and offers at our patient base to encourage more frequent visits, as well as the use of specialist services and attendance at events such as kids' clubs for fluoride treatment and teeth whitening for adults.

Our patient services division's marketing and sales efforts are also directed at minimising the number of patients lost due to excessive waiting room times and difficulties or delays in booking appointments and receiving information. We are making it easier for both new and existing patients to book appointments with a website that allows patients to book and amend appointments at any of our dental practices and to receive text message reminders of their appointments and to provide feedback. We also have instituted a programme to contact lapsed patients who have

missed appointments and re-book them into appointments. We are increasingly focused on obtaining feedback from patients and now operate a patient survey programme across all of our dental practices. Upon leaving a practice following an appointment patients are asked to participate in a text message survey about their experience whilst attending the practice. One of the questions asked in this survey produces a "net promoter score", which we can then use to gauge the strength of the mydentist brand across our dental practices.

All of the foregoing initiatives are important elements of the group's sales and marketing strategy. However, we believe that our best marketing tool is maintaining a strong reputation for excellence in the provision of dental service, as such services are often dependent on local word-of-mouth and referrals, both from current patients to other patients and from general dentists to specialists. We are therefore also pursuing new marketing platforms, such as the use of social media campaigns, to leverage our reputation for excellence in dental services and raise awareness amongst a greater number of potential patients. In addition, we believe that a significant number of NHS patients are directed to one of our practices by the "NHS Choices" website, which enables users to search for local practices based on postcode or area and also to provide ratings and feedback for individual practices, thereby underlining the importance of maintaining our focus on high quality patient care and operational excellence.

Practice services

Our sales and marketing strategy in our practice services division is to drive sales through three channels: web sales, telesales and direct marketing. The Dental Directory and dbg websites are important transactional and marketing portals for the practice services division's customers. We have invested in these websites to improve their functionality and, in the longer term, to encourage customers and members to place more orders via such websites rather than through the inbound telesales operations.

The centralised sales force of our practice services division is comprised of approximately 55 direct sales staff and 91 telesales staff, supported by a management system to monitor sales performance and yield. The practice services division also has regional sales managers who actively visit third-party practices within their territories in order to keep such practices apprised of the various supplies and services we can provide, as well as to provide technical support for previously sold items.

The practice services division's telesales team currently manages inbound calls as their primary focus and take the opportunity to offer customers additional products while taking their original orders. We are currently investing in a new CRM system which will allow us to track all customer purchasing activity across all channels, whether via the web, telesales or through its sales force. This should in turn enable the practice services division to enhance its targeted marketing and sales activities and allow the telesales team to make outbound calls to customers with a view to generating additional orders and sales.

Quality of care

We are focused on providing services that achieve high quality and patient satisfaction rankings. We have consistently maintained high quality ratings across our dental services. In addition to requirements under our NHS dentistry contracts to meet certain standards of quality of care, we are overseen and regulated by the CQC, which inspects and rates all health and social care providers, including dental care providers, in England. We have consistently maintained high quality ratings across our dental services, and as at 31 March 2016 99% of our practices met the essential standards set by the CQC.

Clinical governance

We have a dedicated team of clinical directors devoted to clinical excellence led by our Clinical Services Director. As part of our clinical governance efforts, our clinical directors manage the clinical aspect of our dental practices, investigate patient complaints, respond to regulatory inquiries, help shape policies and procedures and conduct periodic audits and site visits of our dental practices. We also employ approximately 29 dentists who serve as clinical support managers on a part-time basis, advising each regional manager on issues of clinical governance and quality of care within their region. The clinical services team also works closely with NHS England, NHS Regions, the CQC and professional bodies and universities to raise our profile and update our clinical practices and ensure we provide consistent, high-quality care to our patients.

Acquisitions

Overview and strategy

We have grown by pursuing selective acquisitions to expand our network of dental practices and NHS dentistry contracts. In the period beginning 12 May 2011 and ended 31 March 2016, we acquired 230 dental practices and invested approximately £224.8 million in dental practice acquisitions. Our acquisition strategy is to target dental practices with three or more dental chairs (the average practice acquired since 12 May 2011 has had four chairs) that benefit from GDS NHS dentistry contracts. We also focus on the historical UDA delivery rates of potential acquirees and the retention of key personnel.

Acquisition process

We have a large and experienced acquisition and integration team. The focus of our experienced acquisition team centres on building and developing the acquisition pipeline, improving deal conversion rates and reducing due diligence and acquisition timelines. Our acquisition team identifies potential acquisition opportunities on the basis of our acquisition strategy described above and maintains a database of potential acquisition targets. During the year ended 31 March 2016, the leads for 80% of the acquisitions we made were generated internally. Once an acquisition target has been identified, we ask the target to respond to a detailed information request and one of our acquisition managers visits the target and obtains a copy of the target's NHS dentistry contract. Depending on the legal structure of the target dental practice, we choose the legal structure for the acquisition and may contact NHS England in respect of the target's NHS dentistry contract to ascertain whether NHS England will consent to assignment of the contract to us. We then issue an offer letter to the vendor, subject to, amongst other things, due diligence and the retention of key employees.

We have a detailed due diligence process that we undertake in respect of each acquisition carried out by our acquisitions team and outside counsel. The focus of our due diligence is historical UDA delivery rates, private dentistry revenues, and the cost base of the target dental practice. Based on this data we are able to produce an expected EBITDA, and thereby a valuation, by applying expected cost savings and efficiencies experienced by such practices when integrated into our estate. On a portfolio basis, we believe that the expected EBITDA projections resulting from our acquisition team's due diligence have been accurately reflected in post-acquisition results, and acquired practices have generally enjoyed EBITDA consistency before and after their acquisition by us. We believe our due diligence methodology produces accurate results and allows us to acquire dental practices at attractive multiples of EBITDA valuations as we know the number of contracted UDAs, the UDA delivery percentage and private revenue generation tend to maintain consistency, and we are able to apply our known cost base to the practices we acquire. The dental practices we acquired in the twelve months ended 31 March 2015 contributed £7.2 million of EBITDA, before head office costs and non-underlying items, in the twelve months ended 31 March 2016 compared to our due diligence estimate of £9.1 million of EBITDA, before head office costs and non-underlying items. The majority of the shortfall relates to three acquisitions, two of which were chains of dental practices, where there have been specific trading issues which management are currently addressing. The dental practices we acquired in the twelve months ended 31 March 2014 contributed £10.1 million of EBITDA, before head office costs and non-underlying items, in the twelve months ended 31 March 2016 compared to our due diligence estimate of £10.5 million of EBITDA, before head office costs and non-underlying items. We seek to retain and incentivise key personnel in the practices we acquire. On average for the period between 1 May 2011 and 31 March 2016, approximately 5% of the consideration we pay for dental practices is allocated as contingent consideration, which we may pay into escrow accounts for release to the vendor upon the achievement of certain financial and operational results post-acquisition, such as EBITDA, UDA delivery and revenue generated by private dentistry services.

Our extensive experience in acquiring and consolidating dental practices has also enabled us to develop a "tried and tested" process for integrating dental practices into our estate. After acquiring a dental practice, a specialist team oversees the installation of our suite of IT systems and equipment and the implementation of our management systems. In most cases, the dental practices we acquire are immediately cash positive and require little working capital, as we begin receiving payments under such acquired practices' NHS dentistry contracts at the beginning of the first month we own them. We carry out a performance review twelve months after completion of each acquisition to assess the success with which the practice has been integrated into the estate and identify any particular areas for ongoing improvement.

Our more than 20-year history of successful acquisitions has led us to develop a standardised suite of legal documentation as well as standardising other procedures such as due diligence checklists for the majority of acquisitions that we enter into. As a result, the acquisition process is more efficient as each acquisition builds on the

experiences of prior acquisitions. This legal documentation contains, among other standard clauses, non-compete clauses, deferred compensation terms and other clauses designed to protect the value of the acquired practices.

Legal structure of acquisitions

We structure the acquisition of a dental practice in one of four ways depending on a number of factors including the legal status of the target dental practice. Typically, our NHS dentistry contracts prohibit assignment without the consent of the applicable NHS Region and contain change of control provisions.

Assignment

In limited circumstances, an NHS Region may consent to the assignment of the applicable NHS dentistry contract. In such a case, we assign such contract to our trading company, Whitecross Dental Care Limited, in place of the seller of the acquired practice.

Acquiring an incorporated dental practice

Some of the dental practices we acquire already hold their NHS dentistry contract in an incorporated entity. In such situations we acquire the shares of the incorporated entity and it becomes a subsidiary.

Incorporation

In a situation in which the NHS Region does not consent to assignment of the contract and we are acquiring a practice from a sole proprietor or partnership, we may request that such sellers incorporate their practice into a limited company and obtain consent from the NHS Region for the NHS dentistry contract to be reissued in the name of that company. Assuming such consent is obtained and there are no change of control provisions in the newly issued contract (or consent is obtained to the change of control), we then acquire the shares in the limited company. This route of acquisition is rarely used now as a result of the formulation of the partnership structure described below which does not, we are advised, require the consent of the NHS Region at any stage.

Partnership

In a situation in which the NHS Region does not consent to assignment of the contract and we are acquiring a practice from a sole proprietor or a partnership, we add two or more of our clinical director employees to become partners with the sole proprietor or join in partnership with the existing partners (as applicable). There is an obligation to notify the NHS Region of such admissions but obtaining their consent to the change in status of the contractor is, we are advised, not required. In the case where our clinical directors join an existing partnership, legally, their admission to that partnership effectively dissolves the existing partnership and creates a new one. However, notwithstanding the dissolution of the existing partnership and equally, where a new partnership is formed with a sole proprietor, we believe, after consultation with external counsel, that existing law provides that the new partnership continues to hold and benefit of the NHS dentistry contract previously held by the predecessor partnership or sole proprietor (as applicable). Typically, the original partners or sole proprietor retire from the partnership shortly after the completion of the acquisition. As at 31 March 2016, 24% of our dental practices were organised as partnerships.

We have in the past experienced an increased unwillingness on the part of NHS Regions to assign contracts, and most of our recent acquisitions have therefore been undertaken pursuant to the partnership structure described above.

Acquisition opportunities

Whilst the UK dental market is highly fragmented, with approximately 11,900 dental practices, only a small number of high-quality acquisition targets meeting our criteria come up for sale in any given year. We intend to continue to pursue our acquisition strategy of acquiring dental practices meeting our acquisition criteria, including dental practices with three or more chairs, GDS NHS dentistry contracts and strong private dentistry revenue generation, whilst avoiding undue concentration in any one local market. We estimate that approximately 300 practices become available for acquisition in an average year. We may also acquire other non-dental practice businesses for our practice services division, similar to dbg and The Dental Directory, in the future.

Competitors

We compete in the UK dental services market, a highly fragmented market consisting of a variety of for-profit and not-for-profit groups. We believe that the UK dental services market is made up of approximately 11,900 dental practices. Our patient services division is the leading provider of dental services in the United Kingdom with 672 dental practices as at 31 March 2016. The remainder of the market is made up of smaller dental practices and dentists working as sole practitioners. We believe our market share in terms of number of dental practices is 6% and approximately 8.2% in terms of revenues for the twelve months ended 31 March 2016. Our next largest competitor, Oasis Healthcare, has, according to its website, more than 300 dental practices. Oasis Healthcare focuses on an even split of private dentistry services and NHS dentistry services. Whilst we do not compete with any one competitor in each of the local markets for dental services in which we operate, we do generally experience significant competition at the local level from independent dental practices for such services, and that competition may be intense. We compete with other dental practices in both tendering for new NHS dentistry contracts through the NHS tender and in driving customer demand and thereby UDA delivery rates.

Our practice services division also competes with a number of other providers in the market for the provision of supplies and services to third-party dental practices. This market is also highly fragmented, and there is no single clear market leader, particularly as many of the larger dentistry practices prefer to purchase from multiple suppliers. The most significant competitor in this area is Henry Schein, which, together with our practice services division, is a leader in the market. Other significant competitors include Wright Cottrell, Plandent, Dental Sky, BioDelivery Sciences International, Topdental and Glove Club, as well as a large number of smaller local suppliers and distributors. Our patient services division's dental practices purchase their dental consumables, materials and services from the practice services division exclusively, except in cases where the practice services division does not offer the required consumables, materials or services.

Regulation

We are subject to regulation by the UK Government and we are particularly impacted by laws relating to the provision of dental services and quality of care, as well as the regulations of the Department of Health. Discussed in more detail below are some of the key laws and regulations under which we operate.

As a provider of primary healthcare services within the NHS we are subject to a complex legislative framework designed to ensure that people who use healthcare services such as those provided by us are protected and certain standards of quality and safety are met.

The CQC is an independent body which regulates the provision of health and social care services in England. Its main objective is to protect and promote the health, safety and welfare of those using such healthcare services. The CQC's functions include the registration of healthcare service providers and the ongoing monitoring of such providers through inspections, data analysis and other checks to ensure that standards of quality and safety are met and to encourage ongoing improvements by such providers. The results of such reviews and inspections are published by the CQC and are available for public inspection.

The services provided by our dental practices fall within the scope of regulated activities under healthcare legislation and like all relevant service providers we must be registered with the CQC. The regulations stipulate that where the service provider is a body corporate, an individual must also be registered and shall be responsible for the provision of the services by that provider. There are various registration requirements which include providing a statement of purpose setting out the aims and objectives of the service provider and details of the locations at which the services will be provided. All our dental practices are duly registered with the CQC and we have a dedicated team who deals with our CQC registrations and the provision of information to the CQC.

The CQC maintains a public register of all registered service providers and the activities carried out by them, and we are obliged to notify the CQC of certain changes affecting the carrying on of the services (for example, where the service provider is a partnership, it must notify the CQC of any changes in the membership of the partnership) and the occurrence of certain incidences in the provision of such services, which might include allegations of abuse, matters reported to, or investigated by, the police and physical damage to the premises which may have a detrimental effect on the care provided. Failure to register with the CQC or non-compliance with the registration requirements may result in both criminal and civil sanctions. The CQC is also empowered to take enforcement action if a registered service provider fails to comply with relevant regulations. The regulations provide that all service providers are required to take proper steps to assess and monitor the quality of services being provided and ensure the proper care and welfare of patients. For example, service providers are required to consider the safety and suitability of the premises and equipment used, ensure that appropriate standards of cleanliness are met, have

effective complaints procedures in place and maintain accurate patient records. Further, service providers must ensure that they have sufficient levels of staffing and recruit staff with the necessary qualifications, skills and experience. Our CQC registrations manager and clinical directors, amongst others, oversee the provision of services at our dental practices to ensure that our practices meet all applicable CQC standards.

An important part of the CQC regulatory framework is the maintenance of up-to-date registrations. This is particularly relevant to us when we acquire practices and need to ensure that adequate time is allowed for the transfer of registrations from the vendor to us. Due to certain administrative errors and in spite of concerns previously notified by the CQC, during the course of 2015 it became apparent that an error had been made in the transfer of the registration of an acquired practice, which resulted in proceedings being taken by the CQC against the partnership involved and a fine being imposed. We continuously review our processes and controls in order to ensure minimise the risk of any such incidents occurring and to ensure that the highest levels of CQC compliance are maintained.

There are specific regulations governing dental services contracts. The regulations applicable to both GDS and PDS contracts set out the conditions which must be met by a service provider before a contract for the provision of dental services will be provided by an NHS body. Where applicable conditions are satisfied, a GDS Contract may be provided to an individual dental practitioner, dental corporation or partnership and a PDS contract may be provided to an individual dental practitioner or a relevant corporate body. The regulations also prescribe the terms to be included in such contracts, which include: the services to be provided and the manner in which they are to be provided to patients (including the practice address and surgery hours); the type and duration of the contract; the applicable fees and charges; conditions to be met by those who perform the services and provisions regarding complaints, patient records; the provision of information and rights of entry and inspection; and sets out procedures for dispute resolution and the variation and termination of the contract.

Generally, under a GDS Contract, the service provider will be required to provide a range of dental services and, in most circumstances, on an ongoing basis subject only to specific termination provisions set out in the legislation. A GDS Contract generally provides greater flexibility by allowing the service provider to form partnerships and change the membership of partnerships. PDS contracts are typically granted for a fixed term and do not include any provision for the service provider to form partnerships. However, the service provider has the right to apply to the relevant NHS body to convert the PDS contract into a GDS Contract.

Since we also operate dental practices in Scotland, Wales and Northern Ireland, we are subject to regulation relating to the provision of dental care in Scotland, Wales and Northern Ireland, which may differ from regulation relating to the provision of dental care in England.

Our practice services division is subject to regulatory oversight by the UK's Medical & Healthcare products Regulatory Agency in respect of the purchase, storage, sale and distribution of controlled drugs and medicines. Failure to comply with these regulations could result in fines or penalties, including the denial of the ability to supply certain or any controlled drugs or medicines.

Environment, health and safety

We are subject to numerous separate laws and regulations relating to the protection of the environment and human and occupational health and safety, including those governing the handling, transportation and disposal of hazardous and medical waste. These laws and regulations are enforced either at the national level (particularly in the case of health and safety) or at local level. Fire safety laws are enforced by the local fire inspectors and environmental laws enforced by local authorities.

The most significant occupational health and safety law is the Health and Safety at Work etc Act 1974 (the "Health and Safety Act"). The Health and Safety Act imposes a duty of care upon us, not only to our employees but also to our patients and to any visitors to our facilities. We are required to take care to prevent serious accidents and to eliminate from our facilities conditions that could lead to such accidents. Our business activities are, in particular, exposed to significant risks, relating, for example, to the transmission of infections (including blood-borne infections, such as HIV) and other risks associated with medical practices generally and dental practices specifically. There are also similar and specific risks associated with our practice services division, particularly its warehouses and dispensary, and in the supply of equipment. We have experienced in the past, and likely will experience in the future, violations of health and safety regulations. We have a dedicated team of experienced health and safety experts to meet our health and safety requirements and address any violations that may occur.

With regard to environmental legislation, the most significant law is the Environmental Protection Act 1990–Part II as amended (the "Environmental Protection Act"). The Environmental Protection Act mandates that all waste is

disposed of through a licensed waste disposal agent and that all hazardous and non-hazardous waste disposals be supported by approved documentation. In that respect, we ensure that we only use approved and licensed waste carriers and recyclers.

Failure to comply with such laws and regulations in the future could subject us to, amongst others, civil and criminal fines and penalties, enforcement actions, the suspension or termination of our licences to operate or third-party claims.

We are also committed to reduce the impact of our business on the environment. As a major dental care service provider, we produce a considerable volume of clinical waste at the dental practice level. We have partnered with a waste management company to ensure this waste is collected, processed and disposed in line with all relevant environmental regulations.

Immigration

We have historically relied on foreign dentists (both from within and outside the EEA) to the extent required to address shortfalls in UK dental graduates and UK-qualified dentals to fill vacancies in our dental practices. In such cases, and even though our dentists are independent contractors not employed by us, we must comply with relevant immigration laws for non-EEA workers. In particular, the Immigration, Asylum and Nationality Act 2006 (the "IANA") imposes civil and/or criminal penalties on the provision of work to adults who are subject to immigration controls and have not been granted leave to enter or remain in the United Kingdom or whose leave is invalid, ineffective or subject to conditions preventing them from accepting employment ("illegal workers"). Under this legislation, an employer is subject to civil fines of up to a maximum of £20,000 per worker if it employs an immigrant in a job for which he or she is not authorised. Changes to the law made as at February 2008 created a criminal offence of knowingly employing an illegal worker. Employers prosecuted under the IANA can establish a defence by proving that they checked, copied and retained specific types of documents as specified by the UK Government prior to the commencement of employment. In addition, NHS Regions review the immigration papers of foreign dentists as part of their approval process.

Suppliers

The primary equipment and materials required to conduct our business include dental practice equipment such as dental chairs, diagnostic equipment, general dentistry materials, such as the amalgam, other components for fillings and bridges, radiology equipment, hygiene equipment and other general dental care products.

Dental appliances such as crowns, dentures and bridges are supplied to our patient services division's dental practices by third-party laboratories and, following the acquisition of PDS Dental Laboratories Leeds in March 2016, the group's own laboratory, and the costs of such supplies are shared equally between us and the self-employed dentists working in that practice.

In part as a result of the establishment of our practice services division, we centralise and insource the procurement of equipment and materials used in our patient services division's dental practices to generate economies of scale and lower our costs. Our patient services division's dental practices purchase their dental consumables, materials, equipment installation, maintenance and engineering work, as well as any other products that our practice services division offers. internally. We also negotiate volume discounts with our external suppliers of non-dental supplies, including for our practice services business unit.

We generally do not enter into long-term supply commitments with our suppliers and actively looks to negotiate volume discounts with them. Whilst we believe that the large amount of supplies purchased by the practices services division are readily available from a large number of suppliers, some of the more specialised items, such as handpieces, may only be available from a few suppliers, and any disruption or loss of such suppliers could negatively impact our ability to supply our patient services division and impact our practice services division's ability to supply its third party customers.

Billing and payment

We have no material billing requirements in respect of patients of our NHS dentistry services. Patients contribute to the cost of NHS dentistry services depending on the type of dental care service they receive, with the balance of payment paid by NHS England. The patient contribution is set by the NHS and revised annually. The full amount is contributed by the NHS when patients are exempt from payment. Exempt patients include students under 19 years of age, the unemployed, new and expectant mothers, and pensioners. In addition, certain low income patients may be

entitled to partial exemptions, depending on their income. Our private dentistry services are entirely funded by our patients, whether through out-of-pocket payments or certain dental insurance plans. Private dentistry services are typically paid in advance of treatment. Whilst most patients opting for private dentistry services pay out-of-pocket, we also accept payment under certain dental insurance plans.

Payments under our NHS dentistry 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 remit such amount to the NHS in arrears approximately two weeks thereafter. Three to six months following the contract year-end (31 March), we receive a statement detailing each 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 payment of reclamation must be made after the end of the contract year of underperformance. We also receive mid-year UDA performance statements and, if a dental practice has failed to meet 30% of its annual target by 30 September, the NHS Region may adjust payments made under such contract for the remainder of such contract year to correspond to an annual performance of two times of what the dental practice has achieved to 30 September. Dental practices are only paid for exceeding the number of UDAs contracted on a case-by-case basis upon approval by NHS England.

Real and personal property

We lease our executive offices, which are located at Europa House, Europa Trading Estate, Stoneclough, Kearsley, Manchester, M26 1GG, United Kingdom. At 31 March 2016 we were also party to 716 other property leases, which includes 667 dental practices in various locations throughout Great Britain, 23 leased or licensed car parks, Dental Directory's central warehouse and 12 other properties used by our practice services division. We typically lease dental surgeries on behalf of our dental practices pursuant to long-term leases. In some cases we also lease space for our dental practices from NHS Regions.

We hold freehold interests in 3 properties, which are dental practices for which we have acquired the freehold interest alongside the dental practice, but we did not acquire these properties intending to hold them for the long term, and may enter into sale-leaseback arrangements in respect of these properties in the future. Rates (UK business property taxes) paid in respect of a dental practice are reimbursed to us by NHS England in proportion to such dental practice's proportion of NHS dentistry services performed to private dentistry services and, as a result, the majority of the rates paid in respect of our dental practices are reimbursed. Our property portfolio is managed internally by a property management team and supported by external specialists where appropriate. Part of our central property management support function involves regulatory compliance in connection with our properties. Our property management team also manages a defined capital expenditure cycle and dilapidation schedule in respect of our leased and freehold properties.

We are also party to certain operating leases in respect of approximately 240 vehicles leased by us for use by certain members of our management team, including certain of our clinical directors, regional managers and sales nd engineering staff within our practice services division, as well as operating leases in respect of office equipment, such as copier machines.

Intellectual property

Whilst our know-how, copyrights, business processes and other intellectual property rights are important to our business, we do not consider any single piece of intellectual property to be of material importance in relation to our business as a whole. We are not currently engaged in any material intellectual property litigation, nor do we know of any material intellectual property claims outstanding.

Information technology systems

IT systems impact virtually all aspects of our business, including record-keeping, patient information processing and storage, data security, marketing and sales, compliance logistics and practice and performance management. Our IT strategy is driven by the dual goals of promoting growth of our business whilst ensuring data security.

We have implemented a centralised IT platform for our patient services division that brings together many of our IT functions in one data warehouse based at our head office and managed by an experienced team of information specialists. Our practice performance management IT systems are critical to the management of our business, and we have implemented unified practice management software across our entire estate of dental practices and dashboard capabilities for our area and regional managers and dentists working in our dental practices to monitor UDA delivery rates. In addition, we are developing backup and recovery databases for use in our head office and

dental practices. These systems back up our data several times a day to make sure that the abundance of sensitive patient information we have stored at our many dental practices is safely managed in one central location.

We are preparing our IT systems for any potential changes to data retention and regulation that could be introduced as part of changes to the NHS dentistry contract framework.

We operate a separate, bespoke IT infrastructure for our practice services division that manages warehouse operations, inventory control and logistics. A new web portal system has been implemented which allows practice managers and clinicians from across our patient services division to review an e-catalogue and order products for their practices via this web portal. The use of such an e-catalogue provides our dental practices with access to a select list of product lines suitable for both the provision of NHS and private dentistry services while enabling us to keep the cost of materials used by our practices within agreed parameters.

The next major IT initiative we are undertaking is the commencement of investment in a group-wide enterprise resource planning ("ERP") solution. The first area of focus has been on the development of a CRM system to provide platforms for patient and customer facing activities in both the patient services and practice services divisions. We also leverage our IT systems in its sales and marketing strategy by, for example, search optimisation and improved website functionality.

Independently contracted dentists and employees

Dentists working in our dental practices are self-employed and independent. As at 31 March 2016, we had over 2,600 dentists working in our 672 dental practices, either part-time or full-time or through a partnership. We also have arrangements with approximately 200 dentists, which we refer to as locums, who as at 31 March 2016 were not assigned to a single practice, but can fill dentist vacancies on an as-needed basis to provide dental services where they are most needed. We also have approximately 70 practising dentists who are our employees. We individually negotiate the associate contracts with dentists working in our dental practices, and so are able to vary the compensation paid to dentists based on prevailing rates in the applicable local markets for dentists. Under our associate contracts with dentists, dentists receive a fixed percentage fee per UDA delivered, in the case of NHS dentistry services, and a percentage of fees paid for private dentistry services delivered. Contracts with dentists in our dental practices typically are for a term of two years and include non-compete terms that prevent dentists from competing against us for our NHS dentistry services patients within a certain geographic radius of our dental practice.

We also employ highly skilled dental support staff who provide a broad range of clinical and administrative support services for our dentists, including 28 clinical technicians (all of whom are self-employed, independent contractors) in our practices across the UK. In addition, as at 31 March 2016, approximately 450 hygienists worked across our practices, the majority of whom were self-employed, independent contractors.

The following table sets out the number of our dentists and dental support and central staff, as at 31 March 2016:

	As at 31 March 2016
Dentists	2,923
Hygienists	463
Dental and support and central staff	6,646
Practice services division staff	384
Total	**10,416**

Insurance

Our operations are subject to various actual and potential claims, liabilities, hazards and disasters. We carry a variety of insurance policies, including policies in respect of property and material damage, business interruption, combined commercial liability, and directors' and officers' liability. We believe that our insurance coverage is adequate and customary for a business of our size in our industry. Our self-employed, independently contracted dentists are obliged by professional licensing standards to carry their own medical negligence insurance, and we are typically not subject to medical negligence liability claims.

Legal proceedings

In the normal course of our business, we may be involved in legal, arbitration or administrative proceedings. Additionally, we operate in a closely regulated industry. As such, in the ordinary course of business, we are subject to national and local regulatory scrutiny, supervision and control. Such regulatory scrutiny often includes inquiries, investigations, examinations, audits, site visits and surveys, some of which are non-routine.

We are currently, and have in the past been, subject to employment tribunal claims brought by former employees.

On the basis of current information, we do not expect that the actual claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware, will ultimately have a material adverse effect on our results of operations, financial condition or liquidity.

From time to time we are subject to claims and disputes related to the recoupment of amounts paid under NHS dentistry contracts and other disputes with NHS Regions and NHS England. Each of the claims arises from allegations of overstated contract payments, patient charge collection claims or the use of stratified sampling to quantify assertions for inappropriate claims. Specifically regarding stratified claims, please note the NHS Litigation Authority decided it is not appropriate to base claims on stratified or extrapolated figures, but only actual amounts claimed. Furthermore, following the abolition of PCTs on 1 April 2013, it remains to be seen whether successor NHS Regions will take such claims forward.

28 day letters

As part of an initiative by NHS England to provide more scrutiny and oversight of UDA claims under NHS dentistry contracts, the NHS Business Services Authority and NHS Regions have delivered letters to each of the dentists in our patient services division's dental practices detailing the rate at which patients reattend each dental practice within 28 days of a previous appointment. The letters, which we refer to as "28 day letters" rank the practice's reattendance rate during such period against the national average, with those dental practices whose reattendance ranks significantly above the national average asked to justify their reattendance rates. Of our dental practices, 27 have received 28 day letters stating that they are significantly above the national average. While we expect any monetary sums paid to correct any UDA overpayment to be relatively small, the 28 day letters have resulted in a decrease in UDA delivery productivity at our dental practices, as dentists spend more time on practice notes, delay patient visits occurring after a relatively recent visit and in general have become more conservative in claiming UDAs. We understand that 28 day letters are being delivered to all dental practices in England and Wales.

Tax

On the basis of current information, we are not aware of any proceedings by HMRC in respect of our tax planning or treatment.

Management

Board of directors of the Issuer

Board of directors

The Issuer is a public limited company incorporated under the laws of England and Wales. The following table sets out certain information with respect to the current members of the Issuer's board of directors:

Name	Age	Title
Terry Scicluna	58	Executive Director
Mark Robson	53	Executive Director
Jean Bonnavion	44	Non-Executive Director
Eric Kump	46	Non-Executive Director
Alexis Stirling	43	Non-Executive Director

Board of directors of the Parent Guarantor

Board of directors

The Parent Guarantor is a private limited company incorporated under the laws of England and Wales. The following table sets out certain information with respect to the current members of the Parent Guarantor's board of directors:

Name	Age	Title
Paul Pindar	57	Non-Executive Chairman
Terry Scicluna	58	Executive Director
Mark Robson	53	Executive Director
Jean Bonnavion	44	Non-Executive Director
Louis Elson	53	Non-Executive Director
Eric Kump	46	Non-Executive Director
Alexis Stirling	43	Non-Executive Director

Set out below is a brief description of the business experience of the individuals who serve as members of our Board.

Paul Pindar. Mr. Pindar joined our Board in July 2012 as non-executive Chairman. In February 2014, he retired as the Chief Executive Officer of Capita plc, a leader in business process management and outsourcing solutions in the United Kingdom. Mr Pindar is currently a member of the Senior Advisory Board of TowerBrook Capital Partners; Chairman of AIM listed Purplebricks Group Plc; Chairman of Independent Clinical Services and Chairman of ITC Luxury Travel Group.

Terry Scicluna. Mr. Scicluna is the Chief Executive Officer of Integrated Dental Holdings. His appointment became effective and he was appointed to our Board in November 2013. Mr. Scicluna has nearly 40 years of UK healthcare and retail experience. Prior to joining Integrated Dental Holdings, Mr. Scicluna spent nine years with Alliance Boots where he held various senior positions, including from 2010 to 2013 as International Managing Director responsible for all Boots stores and brands outside of the United Kingdom with revenue of £2 billion. Mr. Scicluna was Managing Director of Unichem for Alliance Boots from 2007 to 2008, and was Chief Operating Officer of Alliance Boots and Deputy Managing Director of its Alliance Pharmacy from 2002 to 2007.

Mark Robson. Mr. Robson is the Chief Financial Officer of Integrated Dental Holdings and joined in February 2012. Mr. Robson is a qualified chartered accountant with extensive experience in the consumer and leisure retail sectors including public- and sponsor-owned entities. He was previously Chief Financial Officer at Thorntons PLC (confectionary retailing and production), Somerfield Limited (food retailing), SFI Holdings Limited (pub and bar chain), Claire's Accessories (UK) Limited (children's fashion) and Alldays PLC (the convenience store group).

Jean Bonnavion. Mr. Bonnavion joined our Board in 2011 as a non-executive Director. He is currently a Partner at Palamon. He has served as an observer or member of the board for many Palamon investments, including Towry and SAV Credit. Prior to joining Palamon in 2005, Mr. Bonnavion spent eight years working in management consulting for Bain & Company in Paris and London. He also worked for the French Railways in London for two years as part of the Eurostar marketing team.

Louis Elson. Mr. Elson joined our Board in 2014 as a non-executive Director. Currently, he is co-founder and managing partner at Palamon, where he has managed investments in the European healthcare sector for the past 14 years. Mr. Elson has also participated in a number of other investments with Palamon, including Towry, SAR, OSG, Red and Feelunique. Prior to his career in private equity, Mr. Elson worked in investment banking at Goldman Sachs and in publishing at Time Inc. Mr. Elson has also held directorships in a number of companies in a variety of industries over the past twenty years.

Eric Kump. Mr. Kump joined our Board in 2011 as a non-executive Director. Since 2010, Mr. Kump has acted as a Managing Director at Carlyle with responsibility for coverage of the UK market. Prior to joining Carlyle, Mr. Kump was a Managing Director and head of the London-based private equity team of Dubai International Capital (“DIC”). Whilst at DIC he was on the board of various investments including Alliance Medical, Almatis, Travelodge, Mauser Group and Merlin Entertainments Group. Prior to that, he was a Managing Director with Merrill Lynch Global Private Equity (“MLGPE”), where he was a member of the investment committee and a director of numerous portfolio companies. Whilst at MLGPE, he focused on investments in a range of industries, including financial services, consumer, distribution, industrial and healthcare.

Alexis Stirling. Mr. Stirling joined our Board in 2011 as a non-executive Director. Currently, Mr. Stirling is a director in the European buyout team at Carlyle, with a particular focus on business and consumer services sectors. Prior to joining Carlyle, Mr. Stirling was an Investment Director with Apax Partners and he has previously been a board member of RAC, Addison Lee, NBTY Europe, Focus Wickes, PCM Uitgevers and Promethean

Key members of senior management

In addition to the board of directors discussed above, the following individuals form the key members of the senior management of the Parent Guarantor:

Name	Age	Title
Terry Scicluna	58	Chief Executive Officer
Mark Robson	53	Chief Financial Officer
Annette Spindler	48	Chief Operating Officer – Patient services division
Mark Stephenson	51	Chief Operating Officer – Practice services division
Steve Williams	46	Clinical Services Director
Jeremy Perkin	42	Group Financial Controller

Set out below is a brief description of the business experience of other key members of senior management of the group not already described.

Annette Spindler. Ms. Spindler is the Chief Operating Officer of Integrated Dental Holdings’ patient services Division. Her appointment became effective in April 2014. Ms. Spindler has a wealth of experience within the retail and healthcare sectors. She was previously Marketing Director of Lloyds pharmacy part of parent company Celesio AG, Managing Director of Scholl Retail which included Podiatry clinics (previously owned by Alliance pharmacy), Marketing Director of Alliance Pharmacy (part of Alliance Boots), Sales, Marketing & Property Director at Brantano Footwear (including international—Middle East).

Mark Stephenson. Mr. Stephenson is the Chief Operating Officer of Integrated Dental Holdings’ practice services Division. Mr. Stephenson has extensive experience in the healthcare business, prior to IDH he was Managing Director of IPS Specials, a private equity owned specialist pharmaceutical manufacturer. Before this, he worked in Alliance Boots for over 10 years which included managing several businesses in homecare, hospital, contract sales, and manufacturer services. Mr Stephenson's early career included manufacturing, purchasing, sales, and general management roles, culminating in eight years at Total where he managed over 10,000 retail outlets across Europe and introduced the retail brand "Bonjour".

Steve Williams. Mr. Williams qualified as a dental surgeon in 1992 from Manchester University. After an initial period in private practice, he joined Integrated Dental Holdings in 2004 and has held a series of roles with us, including Clinical Director, Regional Manager and Director of Clinical Services. In May 2011, he was appointed to the board of IDH as Clinical Services Director. In this role he leads the clinical and health and safety teams in ensuring that clinical and safety governance regimes are embedded throughout our entire organisation with a focus on improving quality. Mr. Williams manages relationships with both local and central government organisations to ensure the protection of existing contracts as well as securing new opportunities.

Jeremy Perkin. Mr. Perkin joined Integrated Dental Holdings in December 2008 as Group Financial Controller. Prior to joining our team, Mr. Perkin held a series of roles with KPMG LLP including the role of Senior Manager, Audit. Mr. Perkin is a qualified chartered accountant and a member of the Institute of Chartered Accountants in England & Wales.

The business address for each of the Board and the senior management team of the group is Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG, United Kingdom.

Committees

Audit Committee

Our Audit Committee is chaired by Paul Pindar and is composed of the following members: Eric Kump and Jean Bonnavion. The role of the Audit Committee is to monitor and review our internal financial controls, risk management systems and audit function, external auditor independence and objectivity, and the effectiveness of the external auditor review process. The Audit Committee will also develop and implement our policy on the engagement of, and make recommendations to the board in relation to the appointment of, external auditors. The Audit Committee meets at least once every twelve months.

Remuneration Committee

Our Remuneration Committee is composed of Terry Scicluna, Paul Pindar, Mark Robson, Eric Kump and Jean Bonnavion. The responsibilities of the Remuneration Committee include determining the remuneration and performance targets for senior executives and any employees who earn a salary greater than £110,000 per year, the award of rights under equity incentive plans and the setting of all management bonus schemes.

Compensation of directors and senior management

The aggregate salary and fees, performance-related remuneration and bonuses, pension contributions and other benefits paid to the directors and senior management listed under "—Board of directors of the Parent Guarantor" and "—Key members of senior management" in the year ended 31 March 2016 was £2.0 million excluding severance and other transition payments to directors and senior management that have left us during such period.

Management employment agreements

Our senior management is compensated by way of a fixed annual salary and an annual bonus. The annual bonus is typically determined based on the proportion by which our EBITDA before non-underlying items exceeds budget and certain personal objectives, in both cases reasonably determined by the Board. The Remuneration Committee reviews compensation packages for all senior executives and any employees who earn a salary greater than £110,000 per year, and all other employee compensation packages are reviewed annually by the Board.

Share ownership

Certain members of the board of directors and senior management of the group indirectly own shares of EquityCo. See "Principal shareholders".

Principal shareholders

As at the date of this Annual report, the issued share capital of the Issuer consisted of 50,000 ordinary shares with a total par value of £1.00. All the issued share capital of the Issuer is held by the Parent Guarantor, a private limited company incorporated under the laws of England and Wales and a wholly owned subsidiary of MidCo, a private limited company incorporated under the laws of England and Wales. Other than the preference shares, the issued share capital of MidCo is held by EquityCo, a private limited company incorporated under the laws of England and Wales.

Ownership in EquityCo

EquityCo has three classes of ordinary equity capital. The ordinary shares of EquityCo are designated as A1, A2 and B shares. The A1 ordinary shares have a nominal value of £0.01 and the A2 shares and B shares each have a nominal value of £0.04. The following table sets out certain beneficial ownership information regarding the holders of over 5% of the ordinary shares in EquityCo, and the number and percentage owned by each shareholder as at 31 March 2016:

	Carlyle[(1)]		Palamon[(2)]		Management[(3)]		Total	
	(‘000)	%	(‘000)	%	(‘000)	%	(‘000)	%
A1 Ordinary Shares	1,282	64.1	400	20.0	–	–	1,682	84.1
A2 Ordinary Shares	–	–	–	–	18	0.9	18	0.9
B Ordinary Shares	–	–	–	–	300	15.0	300	15.0
Total	**1,282**	**64.1**	**400**	**20.0**	**318**	**15.9**	**2,000**	**100.0**

(1) The Carlyle Group is the beneficial owner of shares in EquityCo held by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle.

(2) Palamon Capital Partners is the beneficial owner of shares in EquityCo held by its fund Palamon European Equity II, L.P. In addition, ADP Primary Care Acquisitions Limited, an entity controlled by Palamon, holds preference shares in MidCo with a par value of £20 million.

(3) Current and former members of our senior management hold interests in the ordinary shares of EquityCo indirectly through their interests in Turnstone Management Investments Limited. No member of management individually or together with such member of management's immediate family members or personal trust beneficially holds more than 5% of the ordinary shares of EquityCo.

Information about our principal shareholders

Carlyle

Funds formed and managed by The Carlyle Group hold 64.1% of our equity interests. The Carlyle Group is a global alternative asset manager with more than $178 billion in assets under management across 125 funds and 164 fund of funds vehicles as at 31 March 2016. Founded in 1987 in Washington, DC, Carlyle has grown into one of the world's largest and most successful investment firms, with more than 1,650 professionals operating in 36 offices in North America, South America, Europe, the Middle East, North Africa, Sub-Saharan Africa, Japan, Asia and Australia. Carlyle's investment in IDH is made through its third European Buyout fund, which has approximately €5.4 billion under management.

Palamon

Funds formed and managed by Palamon Capital Partners hold 20.0% of our equity interests. Palamon Capital Partners is a private equity partnership that invests in service-oriented businesses and businesses with high growth potential throughout Europe. Palamon has approximately €1.3 billion under management. Palamon's other investments in the healthcare industry include SARquavitae, Prospitalia, Polikum and Ober-Scharrer.

Subscription and Shareholders Agreement

On 28 January 2011, EquityCo, MidCo and BidCo, inter alios, entered into a subscription and shareholders' agreement (the "Subscription and Shareholders' Agreement"), amended on 11 May 2011, relating to the shares held in EquityCo by each of Carlyle and Palamon (together, the "Lead Investors") and certain members of our senior management, and governing the management and affairs of EquityCo and its subsidiaries.

The Subscription and Shareholders' Agreement contains provisions, amongst other things, regulating (i) the proceedings and general meetings of the Board, the BidCo board of directors and the board of directors of Turnstone Management Investments Limited, (ii) matters which are reserved for the prior written consent of the Lead Investors, (iii) restrictions and rights on transfers of debt and equity instruments in EquityCo or Turnstone Management Investments Limited (including rights of first offer and tag-along and drag-along rights), (iv) pre-emption rights, (v) acquisition and rescue issues, (vi) the manner and process of exit, (vii) rights and obligations of holders of debt and equity instruments in EquityCo or Turnstone Management Investments Limited (including distributions and ranking), (viii) the rights and obligations of Management, (ix) rights and obligations of EquityCo, MidCo, the Parent Guarantor, BidCo and Turnstone Management Investments Limited and (x) matters relating to indemnification of the parties under the Subscription and Shareholders' Agreement.

Certain relationships and related party transactions

In the ordinary course of business we may enter into transactions with related parties. Described below are the most significant transactions with related parties.

Letter of credit to clinical directors

Certain of our clinical directors act as partners in the dental practices we acquire through partnership structures. In order to indemnify such clinical directors against the risks inherent in these arrangements, Lloyds Bank has issued a letter of credit in favour of such clinical directors in the amount of £1.8 million, which letter of credit is issued under our Existing Senior Credit Facility.

Transactions with entities under the control of key management personnel

The group leases certain warehouse and office premises from Sharksfin Holdings Limited and The Weavers Pension scheme. Martin Mills, former non-executive chairman of our practice services division (until 24 March 2016) and the former managing director of The Dental Directory (until January 2015), holds a majority shareholding in Sharksfin Holdings Limited and is a trustee and beneficiary of The Weavers Pension Scheme.

Turnstone Midco 2 Limited

Annual report and consolidated financial statements

Registered number 07496754

Year ended 31 March 2016

Contents

Strategic report for the year ended 31 March 2016	F-3
Directors' report for the year ended 31 March 2016	F-10
Independent auditors' report to the members of Turnstone Midco 2 Limited	F-12
Consolidated income statement	F-14
Consolidated statement of other comprehensive income/(expense)	F-15
Consolidated balance sheet	F-16
Company balance sheet	F-18
Consolidated statement of changes in equity	F-19
Company statement of changes in equity	F-20
Consolidated cash flow statement	F-21
Notes to the consolidated financial statements	F-22

Strategic report for the year ended 31 March 2016

The directors present the Strategic report for the year ended 31 March 2016.

Principal activities

The principal activity of the company during the year was to act as a holding company. The principal activities of the group of companies owned by Turnstone Midco 2 Limited ('the group') are the operation of dental practices and the provision of materials, services and equipment to dental practices.

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

Business ownership

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 Midco 2 Limited through their respective interests in Turnstone Equityco 1 Limited, which are as shown below. 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 2016, senior managers of the group held 15.9% of the equity interest in Turnstone Equityco 1 Limited (2015: 15.9%).

The equity funding is split between preference and ordinary share capital, with the ordinary capital being designated 'A1', 'A2' and 'B' 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.

Ownership Structure

Number of shares (% of total)	Management		Carlyle		Palamon		Total	
'A1' Ordinary ('000)	-	-	1,282	64.1%	400	20.0%	1,682	84.1%
'A2' Ordinary ('000)	18	0.9%	-	-	-	-	18	0.9%
'B' Ordinary ('000)	300	15.0%	-	-	-	-	300	15.0%
Total	**318**	**15.9%**	**1,282**	**64.1%**	**400**	**20.0%**	**2,000**	**100.0%**

Business review

The group is organised into two distinct business units.

Patient services – 'mydentist'

Through its patient services division, the group owns and manages a national chain of dental practices, with 672 sites at 31 March 2016 (2015: 644). During the year, the group continued the process of branding the practice estate under the trading name 'mydentist'. The roll-out of the new brand had been completed across 418 practices at 31 March 2016 (2015: 102 practices), with the remaining practices planned for conversion during the first half of the financial year ending 31 March 2017. In common with the majority of dental practices in the UK, the group's practices offer a mixture of NHS and private treatment to patients. With around 68% of group revenue coming from NHS contracts (2015: 70%), the group is the largest provider of NHS dentistry in the UK.

The mydentist brand roll-out has been well received by the group's patients, staff and clinicians and involves not just a change to the look of the practices but also to their operation, by staff and clinicians aligned to a set of values which are to be:

- trusted;
- honest;
- warm and welcoming;
- loyal;
- innovative; and
- to understand me.

Strategic report for the year ended 31 March 2016 *(continued)*

Business review *(continued)*

The division's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited. The business has continued to grow during the year through a mixture of corporate and practice acquisitions, including six practices in Northern Ireland, and through organic expansion with growth in the volume of private treatments. During the year to 31 March 2016, the division acquired 34 practices, opened one greenfield site, merged five existing practices and closed two practices.

The division'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. In addition the division has variable income streams based on treatment provided to patients under private contract and to NHS patients in Scotland and Northern Ireland.

The NHS's dental pilot programme for a potential replacement NHS contract ended in October 2015 and many of the learnings have been incorporated into the new proptotype contract programme. The group has a number of practices participating in this programme, working with the Department of Health to assist in the development of a new dental contract. The prototype format looks to balance the level of activity with providing quality care to patients along with improving access to dentistry. This programme is at a very early stage and the group expects a test period of at least two years until the way forward is determined, although little change is expected to overall contracted values.

Practice services

The group's practice services division, which principally comprises The Dental Directory and the Dental Buying Group ('dbg'), provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division. The division supplies everything from gloves and face masks to specialist medical equipment and can install and maintain equipment from dentist chairs to the latest digital imaging systems.

The principal trading entities of the practice services division are Billericay Dental Supply Co. Limited and DBG (UK) Limited. During the year to 31 March 2016, the group has continued to develop its practice services offering, both organically and through acquisition. Acquisitions during the year include:

- Med-FX Limited, a distributor of facial aesthetics products with a pharmacy offering, was acquired on 31 August 2015;
- PDS Dental Laboratory Leeds Limited, a leading dental laboratory, was acquired on 18 March 2016; and
- Dolby Medical Limited, a medical supplies and equipment servicing business, was acquired on 31 March 2016.

During the year the practice services division has consolidated the back office systems for dbg and The Dental Directory on one site in order to standardise working practices and generate cost savings.

Strategic report for the year ended 31 March 2016 *(continued)*

Business review *(continued)*

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

The group's deemed transition date to IFRS is 1 April 2014. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 - First Time Adoption of International Financial Reporting Standards ('IFRS 1'). IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The group has not applied any of the optional exemptions under IFRS 1. Specifically, the group has applied IFRS 3 – Business Combinations (Revised) ('IFRS 3') to all previous business combinations, including the acquisitions of both Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011. Please refer to note 37 of the financial statements for further information.

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

Summary Financial Results **Year ended 31 March**	**2016** **£m**	**2015** **£m**
Revenue	**565.9**	**534.2**
Operating profit	**11.6**	**24.4**
Amortisation	31.6	29.3
Depreciation	18.8	16.9
Amortisation of grant income	(0.1)	(0.3)
Other non-underlying items	18.7	6.5
Foreign exchange	(0.4)	-
EBITDA before non-underlying items	**80.2**	**76.8**

Revenue from the patient services division was £472.7 million (2015: £442.2 million) with £386.4 million (2015: £373.0 million) arising from NHS dentistry services and £86.4 million from private dentistry services (2015: £69.2 million). Revenue from NHS dentistry services comprised 68.3% (2015: 69.8%) of total group revenue with private dentistry services contributing 15.3% (2015: 13.0%). Revenue from the practice services division, net of supplies to mydentist practices, was £93.1 million (2015: £92.1 million) or 16.4% of the group total (2015: 17.2%).

The group has have continued to experience strong demand for private dentistry services within our existing practices, with like-for-like revenue having increased by 11.6% (2015: 12.2%). However this growth has been offset by a reduction in revenue from NHS dentistry services, where we have seen a reduction in the UDA delivery percentage to 92.4% for the year ended 31 March 2016 compared with 95.8% for the year ended 31 March 2015. The decrease in UDA delivery percentage reflects recent industry trends and is due to a number of factors, including a continued decline in the number of exempt patients, a change in UDA band mix away from higher value band 2 (3 UDAs) and 3 (12 UDAs) treatments, individual dentist productivity, and initiatives to increase the range of treatment options available to patients which has contributed to the growth in private revenues. Management are implementing a range of actions to reverse the decline in NHS revenues.

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.

	2016 **£m**	**2015** **£m**
Net finance costs	(37.5)	(39.9)
Loss before income tax	(25.9)	(15.5)
Income tax credit	7.8	2.9
Loss for the year	**(18.1)**	**(12.6)**

Strategic report for the year ended 31 March 2016 *(continued)*

Business review *(continued)*

Consolidated balance sheet

Goodwill and intangible assets amount to £792.4 million (2015: £775.7 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 practice services businesses over the past five 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.

Property, plant and equipment of £99.4 million (2015: £89.5 million) include £26.9 million (2015: £24.5 million) of additions during the year resulting from upgrades to the group's dental practices, equipment and facilities, including work performed as part of the rollout of the 'mydentist' brand.

Throughout the year ended 31 March 2016 the group had the following available borrowing facilities:

- £200 million of senior secured notes issued on 30 May 2013 and which mature at par on 1 December 2018.
- £225 million of senior secured floating rate notes of which £125 million were issued on 30 May 2013 and £100 million on 9 May 2014. The notes mature at par on 1 December 2018.
- £75 million of second lien notes issued on 30 May 2013 and which mature at par on 1 June 2019.
- £100 million Super Senior Revolving Credit Facility ('SSRCF'), of which £39.0 million was drawn at 31 March 2016 (2015: £30.5 million).

At 31 March 2016, borrowings totalled £531.9 million (2015: £520.8 million) comprising the senior debt as detailed above, net of unamortised arrangement fees.

Consolidated cash flow statement

Cash generated from operations of £80.0 million (2015: £77.4 million) reflects the strong cash generation properties of the group's business units.

After the servicing of external finance costs, the investments made in branding the practice estate under the trading name 'mydentist' and in acquiring further dental practices and other businesses during the year, the closing cash balance was £14.9 million (2015: £29.1 million). The balance at 31 March 2015 includes approximately £6.7 million used to finance acquisitions during the first half of April 2015.

Subsequent events

To the date of this report, the group has acquired a further two dental practices.

Strategic report for the year ended 31 March 2016 *(continued)*

Business review *(continued)*

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, disposal of hazardous waste and data protection, principally through the costs related to compliance. The group's dental practices are subject to regular review by the Care Quality Commission ('CQC') and could be closed if compliance with CQC guidelines cannot be demonstrated. As the leading provider of dental services in the United Kingdom, the group is well placed to respond to and comply with regulatory changes through dedicated regulatory and compliance teams. The group's practice services division 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. A failure to adequately safeguard confidential patient information could result in significant fines, penalties and litigation.

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. 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, IDH 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.

Clinicians and other qualified staff

The group requires skilled clinicians, hygienists and nurses in order to care for its growing patient base. The expansion of the European Union ('EU') over recent years and the increased capacity of UK dental schools have increased the supply of clinicians available to the group. The improved supply, coupled with the fixed nature of dentist's contracts has improved the retention of dentists within the group. The directors recognise the importance of quality clinicians for ensuring the continued success of the group. The group manages the risk associated with the supply of clinicians through training and development programmes to enhance retention and a recruitment strategy to ensure that the growth in patient numbers can be treated. The outcome of the forthcoming referendum on the UK's continued membership of the EU may impact the supply of clinicians in future and the group continues to monitor developments.

Over the past two years the group has also invested significantly in improving pay structures and incentivisation for nurses and other clinical staff. In addition to this, the group is currently implementing the changes resulting from the introduction of the National Living Wage from 1 April 2016 and continues to assess the impact of the changes announced in respect of future financial years upon its current 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 (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 30 to the financial statements.

Strategic report for the year ended 31 March 2016 *(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**	**2016**	**2015**
Revenue (£'m)	565.9	534.2
EBITDA before non-underlying items (£'m)	80.2	76.8
Operating profit (£'m)	11.6	24.4
NHS dentistry services as a percentage of group revenue (%)	68.3%	69.8%
Private dentistry services as a percentage of group revenue (%)	15.3%	13.0%
Practice services as a percentage of group revenue (%)	16.4%	17.2%
Like-for-like private revenue growth (%)	11.6%	12.2%
UDA[(1)] delivery (% of total contract)	92.4%	95.8%
Gross profit margin (%)	45.7%	44.8%
Overheads as a percentage of revenue (%) [(2)]	31.8%	30.8%
EBITDA margin (%)	14.2%	14.4%
Number of dental practices	672	644
Proforma EBITDA (£'m) [(3)]	84.8	85.1
Net bank and bond debt (£'m)	516.9	491.7
Net debt to EBITDA	6.45	6.41
Net debt to proforma EBITDA	6.09	5.78
Cash generated from operations (£'m)	80.0	77.4
Cash generated from operations net of interest paid (£'m)	44.7	43.7

(1) UDA – Units of Dental Activity, measures set by the NHS Regions as part of the contract terms.

(2) Overheads as a percentage of revenue represents administrative expenses, plus distribution costs, less depreciation, amortisation and non-underlying items.

(3) Proforma EBITDA has been calculated in accordance with the methodology set out in IDH Finance Plc Offering Memorandums dated 22 May 2013 and 6 May 2014 and represents the estimated EBITDA of the group after adjusting for the full year ownership effect of acquisitions completed during the year ended 31 March 2016.

Strategic report for the year ended 31 March 2016 *(continued)*

Future outlook & 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 on delivering growth through:

- delivering high quality care and promoting the highest clinical standards;
- optimising delivery of its existing NHS contracts;
- exploring opportunities to tender for new contracts;
- diversifying our revenues through new initiatives both in private dentistry and within our practice services operations;
- complete the mydentist rebranding 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;
- growing our portfolio through further dental practice and other complimentary acquisitions; and
- using the size of our portfolio and systems to procure materials and services more efficiently and effectively.

On behalf of the Board

WHM Robson
Director
3 June 2016

Directors' report for the year ended 31 March 2016

The directors present their report and the audited consolidated financial statements of Turnstone Midco 2 Limited for the year ended 31 March 2016.

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 (2015: £nil).

Directors

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

P Pindar
J Bonnavion
L Elson
E Kump
WHM Robson
T Scicluna
A Stirling

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 Strategic report, Directors' 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 for that year. In preparing these financial statements, the directors are required to:

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

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

Directors' report for the year ended 31 March 2016 *(continued)*

Employees

The group is an equal opportunities employer and does not discriminate between employees on the grounds of race, ethnic origin, age, sex 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.

Briefing and consultative procedures exist throughout the group to inform employees on matters of concern to them, the financial and economic performance of their business units and to provide opportunities for comment and discussion.

Political and charitable contributions

The group made charitable contributions totalling £16,540 during the year (2015: £6,660). The group made no political donations during the year (2015: £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 acquired a further two dental practices.

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.

This statement is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

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

WHM Robson
Director
3 June 2016

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

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

Report on the financial statements

Our opinion

In our opinion:

- Turnstone Midco 2 Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and parent company balance sheets as at 31 March 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income/(expense) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the company statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page F-10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and consolidated financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
3 June 2016

Consolidated income statement
for the year ended 31 March 2016

	Note	**2016 £'000**	2015 £'000
Revenue	*4*	**565,877**	534,244
Cost of sales		**(307,508)**	(294,877)
Gross profit		**258,369**	239,367
Distribution costs		**(15,211)**	(13,047)
Administrative expenses		**(233,908)**	(203,728)
Other income	*9*	**1,919**	1,791
Other gains	*10*	**424**	14
Operating profit		**11,593**	24,397
Analysed as			
EBITDA before non-underlying items		**80,154**	76,764
Amortisation of intangible assets	*15*	**(31,647)**	(29,328)
Depreciation	*16*	**(18,750)**	(16,857)
Amortisation of government grant income		**154**	318
Other non-underlying items	*5*	**(18,742)**	(6,514)
Foreign exchange gains	*10*	**424**	14
Operating profit		**11,593**	24,397
Finance costs	*11*	**(38,660)**	(40,019)
Finance income	*12*	**1,140**	105
Net finance costs		**(37,520)**	(39,914)
Loss before income tax		**(25,927)**	(15,517)
Income tax credit	*13*	**7,813**	2,881
Loss for the year		**(18,114)**	(12,636)
Attributable to:			
Owners of the parent		**(18,008)**	(12,551)
Non-controlling interests		**(106)**	(85)
		(18,114)	(12,636)

All activities are derived from continuing operations.

The notes on pages F-22 to F-70 form part of these financial statements.

Consolidated statement of comprehensive income/(expense)
for the year ended 31 March 2016

	2016	2015
	£'000	£'000
Loss for the year	**(18,114)**	(12,636)
Other comprehensive (expense)/income:		
Items that will not be reclassified to the income statement		
Re-measurement gain/(loss) in respect of defined benefit pension scheme	**649**	(456)
Unrecognised re-measurement movement arising from movements on defined benefit scheme in surplus to which the group has no recourse	**(290)**	116
Total comprehensive expense for the year	**(17,755)**	(12,976)
Attributable to:		
Owners of the parent	**(17,649)**	(12,891)
Non-controlling interests	**(106)**	(85)
	(17,755)	(12,976)

Movements above are disclosed net of income tax.

The notes on pages F-22 to F-70 form part of these financial statements.

Consolidated balance sheet
at 31 March 2016

	Note	**2016**	2015
		£'000	£'000
Assets			
Non-current assets			
Goodwill	*15*	**339,020**	322,515
Other intangible assets	*15*	**453,361**	453,152
Property, plant and equipment	*16*	**99,352**	89,504
Other receivables	*19*	**958**	2,462
Deferred income tax assets	*26*	**9,731**	10,467
		902,422	878,100
Current assets			
Inventories	*18*	**20,550**	22,226
Trade and other receivables	*19*	**49,509**	41,993
Current income tax		**-**	550
Derivative financial instruments	*23*	**739**	-
Cash and cash equivalents	*21*	**14,942**	29,116
		85,740	93,885
Assets classified as held for sale	*20*	**440**	1,979
Total assets		**988,602**	973,964
Equity attributable to the owners of the parent			
Share capital	*27*	**410,961**	410,961
Accumulated losses	*28*	**(134,904)**	(116,941)
		276,057	294,020
Non-controlling interest		**89**	(119)
Total equity		**276,146**	293,901

Consolidated balance sheet *(continued)*
at 31 March 2016

	Note	**2016 £'000**	2015 £'000
Liabilities			
Non-current liabilities			
Borrowings	*24*	**531,868**	520,840
Other payables	*22*	**3,186**	6,488
Deferred income tax liabilities	*26*	**51,052**	54,785
Post employment benefits	*31*	**-**	414
Provisions	*25*	**7,603**	7,399
Derivative financial instruments	*23*	**2,033**	3,103
		595,742	593,029
Current liabilities			
Trade and other payables	*22*	**114,418**	85,092
Current income tax		**418**	30
Provisions	*25*	**1,786**	1,869
Derivative financial instruments	*23*	**92**	43
		116,714	87,034
Total liabilities		**712,456**	680,063
Total equity and liabilities		**988,602**	973,964

The notes on pages F-22 to F-70 form part of these financial statements.

The financial statements on pages F-14 to F-70 were approved by the Board of Directors on 3 June 2016 and were signed on its behalf by:

WHM Robson
Director

Company balance sheet
at 31 March 2016

	Note	**2016 £'000**	2015 £'000
Assets			
Non-current assets			
Investments	*17*	**411,011**	411,011
Total assets		**411,011**	411,011
Equity			
Share capital	*27*	**410,961**	410,961
Accumulated losses	*28*	**(24)**	(18)
Total equity		**410,937**	410,943
Liabilities			
Current liabilities			
Other payables		**74**	68
Total equity and liabilities		**411,011**	411,011

The notes on pages F-22 to F-70 form part of these financial statements.

The financial statements were approved by the Board of Directors on 3 June 2016 and were signed on its behalf by:

WHM Robson
Director

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Share capital £'000	Accumulated losses £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2014	410,961	(104,050)	306,911	(34)	306,877
Comprehensive expense for the year					
Total comprehensive expense for the year	-	(12,891)	(12,891)	(85)	(12,976)
Balance at 31 March 2015	410,961	(116,941)	294,020	(119)	293,901
Comprehensive expense for the year					
Total comprehensive expense for the year	-	(17,649)	(17,649)	(106)	(17,755)
Changes in ownership interests					
Minority interests arising / acquired through business combinations	-	(314)	(314)	314	-
Balance at 31 March 2016	**410,961**	**(134,904)**	**276,057**	**89**	**276,146**

The notes on pages F-22 to F-70 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2016

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2014	410,961	(10)	410,951
Comprehensive expense for the year			
Total comprehensive expense for the year	-	(8)	(8)
Balance at 31 March 2015	410,961	(18)	410,943
Comprehensive expense for the year			
Total comprehensive income for the year	-	(6)	(6)
Balance at 31 March 2016	**410,961**	**(24)**	**410,937**

The notes on pages F-22 to F-70 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2016

	Note	**2016**	2015
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	*33*	**79,981**	77,366
Income tax received/(paid)		**550**	(550)
Net cash inflow from operating activities		**80,531**	76,816
Cash flows from investing activities			
Acquisitions (net of cash acquired)		**(42,909)**	(113,312)
Contingent consideration paid		**(935)**	(723)
Purchase of property, plant and equipment		**(26,868)**	(25,916)
Purchase of freehold property held for sale		**-**	(175)
Proceeds from business and asset disposals		**2,694**	10,962
Government grants received		**11**	4
Interest received		**70**	76
Net cash outflow from investing activities		**(67,937)**	(129,084)
Cash flows from financing activities			
Drawdown of bank loans		**8,500**	105,000
Repayment of bank loans		**-**	(96,500)
Proceeds from issue of senior secured floating rate notes		**-**	101,250
Arrangement fees and associated professional costs		**-**	(1,678)
Bank and bond interest paid		**(35,268)**	(33,624)
Net cash (outflow)/inflow from financing activities		**(26,768)**	74,448
Net (decrease)/increase in cash and cash equivalents		**(14,174)**	22,180
Cash and cash equivalents at the start of the year		**29,116**	6,936
Cash and cash equivalents at the end of the year		**14,942**	29,116

The notes on pages F-22 to F-70 form part of these financial statements.

Company

No cash flow statement has been presented for the company as there have been no cash flows during either the current or previous financial year.

Notes to the consolidated financial statements

1 Company information

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

The company is the holding company of Turnstone Bidco 1 Limited and IDH Finance Plc and their 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 consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The group's deemed transition date to IFRS is 1 April 2014. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 - First Time Adoption of International Financial Reporting Standards ('IFRS 1'). IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The group has not applied any of the optional exemptions under IFRS 1. Specifically, the group has applied IFRS 3 – Business Combinations (Revised) ('IFRS 3') to all previous business combinations, including the acquisitions of both Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011. Please refer to note 37 for further information.

The 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 consolidated financial statements have been prepared on a going concern basis, which the directors consider to be appropriate, having giving 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. Further information on the group's available borrowing facilities can be found in note 24.

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

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(b) Basis of consolidation

Subsidiaries
The group controls an entity when the group has power over that entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group has applied IFRS 10 – Consolidated Financial Statements ('IFRS 10') retrospectively in accordance with the transitional provisions of IFRS 10.

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:
The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following standards:

IFRS 12 – Disclosure of Interests in Other Entities

Amendment to IAS 1 – Presentation of Financial Statements

The above standards have been applied to each of the periods presented in these financial statements.

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	Not yet endorsed	1 January 2018
IFRS 15 – Revenue from Contracts With Customers	Not yet endorsed	1 January 2018
IFRS 16 – Leases	Not yet endorsed	1 January 2019

At the time of preparing these financial statements, the group is still considering the potential impact of these changes upon the consolidated financial statements.

None of the 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 are recognised at their fair values at the acquisition date. All acquisition costs are expensed as incurred and included within administrative expenses.

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

(f) Intangible assets

Goodwill
Goodwill 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 CGU's. 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

The residual values and useful lives are reviewed, and adjusted if appropriate, at each accounting reference date.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(i) Inventories

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

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

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

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

(j) Trade receivables

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.

(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 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.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(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.

(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 uses derivative financial instruments (interest rate swaps) to hedge a proportion of its exposure to floating interest rate fluctuations. Foreign exchange forward contracts are used to hedge a proportion of the group's exposure to fluctuations in foreign exchange rates.

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 30 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 on the volume of dental activity delivered in the financial year. 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 on the stage of completion reached during the course of treatment. Revenue from the sale of goods by the group's practice services division is recognised upon despatch.

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 fair value movements on hedging arrangements. 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. 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 taxes 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)*

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. An impairment review has been performed at the reporting date and no impairment has been identified. More details, including carrying values, 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. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined. See also note 13.

(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.

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 patient services and practice services.

Through its patient services division, the group is the leading provider of dental services in the United Kingdom. The division owns and manages a national chain of dental practices with 672 sites at 31 March 2016 (2015: 644).

The group's practice services division, which principally comprises the dbg and The Dental Directory, provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division. Sales to the patient services division are carried out on an arms length basis.

All services are provided in the United Kingdom.

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

Year ended 31 March 2016

	Patient services £'000	Practice services £'000	Central costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	386,377	-	-	**386,377**
Private dentistry	86,356	-	-	**86,356**
Practice services	-	117,536	(24,392)	**93,144**
Total revenue	472,733	117,536	(24,392)	**565,877**
Gross profit	226,223	35,839	(3,693)	**258,369**
Gross margin	*47.9%*	*30.5%*		***45.7%***
Overheads	(158,311)	(24,598)	2,775	**(180,134)**
Overheads as % revenue	*33.5%*	*20.9%*		***31.8%***
Other income	1,919	-	-	**1,919**
EBITDA before non-underlying items	69,831	11,241	(918)	**80,154**
EBITDA margin	*14.8%*	*9.6%*		***14.2%***
Amortisation of intangible assets	(28,647)	(3,000)	-	**(31,647)**
Depreciation	(17,554)	(1,331)	135	**(18,750)**
Amortisation of government grant income	154	-	-	**154**
Other non-underlying items	(17,539)	(1,203)	-	**(18,742)**
Unrealised gains on derivative financial instruments	-	424	-	**424**
Segment operating profit/(loss)	6,245	6,131	(783)	**11,593**
Net finance costs				**(37,520)**
Loss before income tax				**(25,927)**
Segment assets	876,937	119,805	(8,140)	**988,602**
Segment liabilities	(155,217)	(116,932)	(440,307)	**(712,456)**
Additions				
Goodwill	14,673	752	-	**15,425**
Other intangible assets	27,218	4,915	-	**32,133**
Property, plant and equipment	28,077	2,429	(678)	**29,828**

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

Year ended 31 March 2015

	Patient services £'000	Practice services £'000	Central costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	372,992	-	-	**372,992**
Private dentistry	69,162	-	-	**69,162**
Practice services	-	112,206	(20,116)	**92,090**
Total revenue	442,154	112,206	(20,116)	**534,244**
Gross profit	212,738	31,818	(5,189)	**239,367**
Gross margin	*48.1%*	*28.4%*		***44.8%***
Overheads	(145,225)	(22,807)	3,638	**(164,394)**
Overheads as % revenue	*32.8%*	*20.3%*		***30.8%***
Other income	1,791	-	-	**1,791**
EBITDA before non-underlying items	69,304	9,011	(1,551)	**76,764**
EBITDA margin	*15.7%*	*8.0%*		***14.4%***
Amortisation of intangible assets	(26,532)	(2,796)	-	**(29,328)**
Depreciation	(15,653)	(1,270)	66	**(16,857)**
Amortisation of government grant income	318	-	-	**318**
Other non-underlying items	(4,153)	(2,361)	-	**(6,514)**
Unrealised gains on derivative financial instruments	-	14	-	**14**
Segment operating profit/(loss)	23,284	2,598	(1,485)	**24,397**
Net finance costs				**(39,914)**
Loss before income tax				**(15,517)**
Segment assets	860,558	119,916	(6,510)	**973,964**
Segment liabilities	(136,527)	(116,322)	(427,214)	**(680,063)**
Additions				
Goodwill	14,465	16,268	-	**30,733**
Other intangible assets	40,197	25,414	-	**65,611**
Property, plant and equipment	26,789	4,274	(635)	**30,428**

Revenue is analysed by category as follows:

	2016 £'000	2015 £'000
Provision of services	**479,359**	443,580
Sale of goods	**86,518**	90,664
Total revenue	**565,877**	534,244

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 profit.

	Group 2016 £'000	Group 2015 £'000
Restructuring costs	**5,712**	2,942
Rebranding costs	**10,617**	1,269
Acquisition related professional fees and expenses	**1,937**	3,921
Differences between contingent consideration paid and estimates initially recognised	**(2,158)**	(181)
One-off benefit from the alignment of the holiday year with the financial year end	**-**	(890)
Profit on disposal of freehold properties	**(579)**	(892)
Loss arising from practice services restructuring and disposal/closure of dental practices	**2,515**	9
Loss on disposal of property, plant and equipment	**678**	316
Expenses in respect of defined benefit pension scheme (note 31)	**20**	20
	18,742	6,514

Restructuring costs
Costs incurred during the years ended 31 March 2016 and 31 March 2015 principally relate to the restructuring of practice services division operations, redundancy payments to staff across both divisions, costs associated with the review of strategic options and associated legal and professional fees.

Rebranding
Costs recognised during the years ended 31 March 2016 and 31 March 2015 reflect the cost of rolling out the mydentist brand to the 418 dental practices completed at 31 March 2016 (2015: 102) 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.

Differences between contingent consideration paid and estimates initially recognised
During the years ended 31 March 2016 and 31 March 2015, 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 £2,158,000 (2015: £181,000) was released to the income statement.

Profit on disposal of freehold properties
During the year, the group disposed of its freehold interest in 12 dental practices (2015: 43) under sale and lease-back arrangements.

Loss arising from practice services restructuring and disposal/closure of dental practices
During the year ended 31 March 2016, the group closed the dbg head office in Winsford and merged the administrative functions with those of The Dental Directory in Witham, creating a single support function for the practice services division. The group also closed two dental practices and merged five others, resulting in total closure related costs of £2,515,000. During the year ended 31 March 2015, the group incurred costs of £9,000 in respect of dental practices disposed of or closed in previous years.

Loss on disposal of property, plant and equipment
The loss on disposal of property, plant and equipment arose principally from assets which were scrapped following the closure or merger of dental practices.

Notes to the consolidated financial statements *(continued)*

6 Auditor's remuneration

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

	2016	2015
	£'000	£'000
Audit services		
Audit of the parent company and the consolidated financial statements	**6**	8
Audit of the company's subsidiaries	**348**	376
	354	384
Other services		
Tax advisory services	**40**	40
Other advisory services	**776**	1,318
Total remuneration payable to PricewaterhouseCoopers LLP	**1,170**	1,742

During the year ended 31 March 2016, other advisory services relates to work conducted as part of the review of strategic options.

During the year ended 31 March 2015, other advisory services relate to financial and commercial due diligence carried out in respect of certain acquisitions and work conducted as part of the review of strategic options.

7 Employees

The company has no employees (2015: None).

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

	Group	Group
	2016	2015
	No of employees	No of employees
Business unit		
Patient services - surgery staff	**4,160**	3,802
Patient services - administration staff	**2,601**	2,480
Practice services	**384**	428
	7,145	6,710

The staff costs of these persons were as follows:

	Group	Group
	2016	2015
	£'000	£'000
Wages and salaries	**115,675**	105,360
Social security costs	**8,330**	7,461
Other pension costs	**814**	796
	124,819	113,617

Notes to the consolidated financial statements *(continued)*

8 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2015: £nil).

	Group 2016 £'000	Group 2015 £'000
Aggregate emoluments including benefits	**833**	1,148

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 for the highest paid director was £428,000 (2015: £594,000), which included benefits in kind of £16,000 (2015: £10,000).

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 gains

	Group 2016 £'000	Group 2015 £'000
Unrealised gains at fair value through profit or loss on foreign exchange forward contracts	**741**	14
Realised foreign exchange losses	**(317)**	-
	424	14

Notes to the consolidated financial statements *(continued)*

11 Finance costs

	Group 2016 £'000	Group 2015 £'000
Senior secured fixed rate notes	**12,000**	11,981
Senior secured floating rate notes	**12,249**	11,655
Second lien notes	**6,375**	6,365
Bank loans and overdrafts	**1,629**	692
Fixed rate interest swap charges	**1,683**	1,716
Amortisation of issue costs of bank loans and related fees	**2,805**	2,787
Issue costs expensed in the year in respect of additional floating rate notes	**-**	1,678
Other interest payable – unwinding of discount	**760**	636
Syndicate charges	**1,146**	1,466
Change in the fair value of interest rate swap classified at fair value through profit or loss	**-**	1,043
Finance expense in respect of defined benefit pension scheme (note 31)	**13**	-
	38,660	40,019

12 Finance income

	Group 2016 £'000	Group 2015 £'000
Bank deposit interest	**70**	74
Finance income in respect of defined benefit pension scheme (note 31)	**-**	31
Change in the fair value of interest rate swap classified at fair value through profit or loss	**1,070**	-
	1,140	105

Notes to the consolidated financial statements *(continued)*

13 Income tax credit

	Group 2016 £'000	Group 2015 £'000
Current income tax		
Current income tax for the year	**-**	-
Total current income tax	**-**	-
Deferred income tax		
Origin and reversal of temporary differences	**(5,121)**	(3,943)
Adjustments in respect of previous years	**1,942**	1,062
Effect of change in income tax rate	**(4,634)**	-
Total deferred income tax (note 26)	**(7,813)**	(2,881)
Total income tax credit	**(7,813)**	(2,881)

The income tax charge for the financial year is lower (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2016 of 20% (2015: 21%). The differences are explained below:

	Group 2016 £'000	Group 2015 £'000
Loss before income tax	**(25,927)**	(15,517)
Loss before income tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	**(5,185)**	(3,103)
Effects of:		
Expenses not deductible for tax	**52**	(554)
Utilisation of losses not previously recognised	**12**	(286)
Effect of rate changes on opening balances	**(4,634)**	-
Adjustments in respect of previous years	**1,942**	1,062
Total income tax credit for the year	**(7,813)**	(2,881)

The main rate of corporation tax was reduced from 21% to 20% from 1 April 2015. Further reductions to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 18 November 2015 and both the deferred income tax asset and liability have been re-measured accordingly.

A further reduction in the main rate of corporation tax to 17% from 1 April 2020 was announced in the Chancellor's Budget Statement on 16 March 2016. As this change had not been substantively enacted at the balance sheet date, its effect is not included in these financial statements, however the proposed rate would have the affect of reducing the net deferred income tax liability at 31 March 2016 by approximately £2.2 million.

Notes to the consolidated financial statements *(continued)*

14 Parent company result

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

The company's loss of £6,000 (2015: £8,000) arises from the company's share of the group audit fee.

15 Intangible assets

Group

	Goodwill £'000	Contractual arrangements £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2014	291,782	430,002	46,447	4,495	772,726
Acquired through business combinations	30,733	32,412	13,917	19,282	96,344
At 31 March 2015	322,515	462,414	60,364	23,777	869,070
Accumulated amortisation					
At 1 April 2014	-	54,337	9,405	333	64,075
Charge for the year	-	22,336	5,467	1,525	29,328
At 31 March 2015	-	76,673	14,872	1,858	93,403
Net book value					
At 31 March 2015	322,515	385,741	45,492	21,919	775,667

	Goodwill £'000	Contractual arrangements £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2015	322,515	462,414	60,364	23,777	869,070
Acquired through business combinations (note 34)	17,169	22,869	7,968	1,296	48,418
Re-measurement of provisional amounts from prior year business combinations	(566)	-	-	-	(566)
Disposals	(98)	(237)	(63)	-	(398)
At 31 March 2016	**339,020**	**485,046**	**68,269**	**25,073**	**917,408**
Accumulated amortisation					
At 1 April 2015	-	76,673	14,872	1,858	93,403
Charge for the year	-	23,837	6,200	1,610	31,647
Disposals	-	(15)	(8)	-	(23)
At 31 March 2016	**-**	**100,495**	**21,064**	**3,468**	**125,027**
Net book value					
At 31 March 2016	**339,020**	**384,551**	**47,205**	**21,605**	**792,381**

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 2016 was 15.2 years (2016: 16.0 years).

Notes to the consolidated financial statements *(continued)*

15 Intangible assets *(continued)*

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 patient services and practice services. An analysis of the net book value of goodwill by CGU is shown below:

Net book value of goodwill by CGU	Group 2016 £'000	Group 2015 £'000
Patient services	**306,790**	291,920
Practice services	**32,230**	30,595
	339,020	322,515

Annual impairment review

The annual impairment review for goodwill is based on an assessment of each CGUs 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 practice services revenues 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 2016 %	Group 2015 %
Long term growth rate		
Patient services	**1.50**	1.50
Practice services	**1.50**	1.50
Discount rate		
Patient services	**9.01**	9.06
Practice services	**10.47**	10.20

At each period end an impairment review was performed by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. No impairment was considered necessary. There have been no significant changes in the period subsequent to the review.

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. There is no reasonably possible change in assumptions that would lead to an impairment being recognised. Management have calculated the value in use for the patient services division based upon the group's UDA delivery percentage of 92.4% for the year ended 31 March 2016, however this is below the group's long term trend of approximately 96%. A change of 0.25% in the assumed WACC changes the calculated value in use by approximately £31 million.

For 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. No indicators of impairment have been identified.

Notes to the consolidated financial statements *(continued)*

15 Intangible assets *(continued)*

Company

The company does not own any intangible assets (2015: none).

16 Property, plant and equipment

Group

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2014	111,623
Acquired through business combinations	5,948
Additions	24,480
Disposals	(1,061)
At 31 March 2015	140,990
Accumulated depreciation	
At 1 April 2014	35,331
Charge for the year	16,857
Disposals	(702)
At 31 March 2015	51,486
Net book value	
At 31 March 2015	89,504

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2015	140,990
Acquired through business combinations (note 34)	2,545
Re-measurement of provisional amounts from prior year business combinations	429
Additions	26,854
Disposals	(2,435)
Impairment charge	(545)
At 31 March 2016	**167,838**
Accumulated depreciation	
At 1 April 2015	51,486
Charge for the year	18,750
Disposals	(1,750)
At 31 March 2016	**68,486**
Net book value	
At 31 March 2016	**99,352**

Notes to the consolidated financial statements *(continued)*

16 Property, plant and equipment *(continued)*

As at 31 March 2016, no assets are held under finance leases or hire purchase contracts (2015: 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.

The impairment charge of £545,000 arose as part of the restructuring within the practice services division whereby the group closed the dbg head office in Winsford and merged the administrative functions with those of the Dental Directory in Witham. See note 5 for further details.

Operating lease charges of £13,758,000 (2015: £12,361,000) and £1,250,000 (2015: £1,151,000) 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 (2015: none).

17 Investments

Company

	£'000
Investment at cost in subsidiary undertaking at 1 April 2015 and 31 March 2016	**411,011**

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

The cost and book value of its investment in Turnstone Bidco 1 Limited is £410,961,479 (2015:£410,961,479). Thecost and book value of its investment in IDH Finance Plc is £50,000 (2015: £50,000).

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

The group holds 100% of the ordinary share capital of all of the companies listed, with the exception of PDS Dental Laboratories Leeds Limited, in which the group acquired a 90% interest in the ordinary share capital during the year and Denture Excellence Limited, in which the group holds a 90% interest in the ordinary share capital (2015: 75%). The group acquired an additional 15% interest in Denture Excellence during March 2016 for a consideration of £63,000. The group also held a 93.2% interest in Healthcare Buying Group Limited at 31 March 2015, however during the year, the group acquired the remaining 6.8% interest which it did not previously own to take its ownership to 100% as of 31 March 2016. All companies are included in the consolidation.

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 Bidco 1 Limited	Non-trading	England
IDH Finance Plc	Group financing	England
***@TheDentist Ltd	Dormant	England
1A Dental Practice Limited	Dental practices	England
Adelstone Dental Care Limited	Dental practices	England
ADP Ashford Ltd	Dental practices	England
ADP Healthcare Acquisitions Limited	Non-trading	England
***ADP Healthcare Limited	Dormant	England
ADP Healthcare Services Limited	Non-trading	England
ADP Holdings Limited	Non-trading	England
ADP No.1 Limited	Non-trading	England
***ADP Yorkshire Ltd	Dormant	England
*Aesthetic Dental Care Limited	Dental practices	England
Aesthetix Limited	Dental practices	England
Alemdent Limited	Dental practices	England
*Alison Brett Dental Care LLP	Dental practices	England

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
A-Z Dental Holdings (Subsidiary Number 1) Limited	Dormant	England
A-Z Dental Holdings (Subsidiary Number 2) Limited	Dormant	England
A-Z Dental Holdings Limited	Non-trading	England
Billericay Dental Supply Co. Limited	Healthcare goods and services	England
Bramora Limited	Dental practices	England
***Butler and Finnigan Dental Practice Ltd	Dormant	England
Castle Hill Dental Practice Limited	Dental practices	England
*Changing Faces (West Yorkshire) Limited	Dental laboratory	England
*Chapel Road Orthodontics Limited	Dental practices	England
Church Street Dentists Limited	Dental practices	England
Clarendon Dental Practice Limited	Dental practices	England
Community Dental Centres Limited	Dental practices	England
Confident Dental Practices Limited	Dental practices	England
Cromwell Dental Practice Limited	Dental practices	England
*D and L Jordan Limited	Dental practices	England
DBG (UK) Limited	Healthcare goods and services	England
DBG Acquisitions Limited	Non-trading	England
***DBG Subsidiary Limited	Dormant	England
DBG Topco Limited	Non-trading	England
*Dental Aesthetics Limited	Dental practices	Northern Ireland
*Dental Excellence Group Limited	Non-trading	Northern Ireland
*Dental Excellence Limited	Dental practices	Northern Ireland
***Dental Health Care Limited	Dormant	England
Dental Talent Tree (Recruitment) Limited	Dental recruitment	England
Denticare Limited	Dental practices	England
Denticare Properties Limited	Dormant	England
Denture Excellence Limited	Dental practices	England
DH Dental Holdings Limited	Non-trading	England
Diverse Acquisitions Limited	Non-trading	England
Diverse Holdings Limited	Non-trading	England
***Diverse Property Investments Limited	Dormant	England
*DM and LJ Jordan Limited	Dental practices	England
*DM Jordan Limited	Dental practices	England
*DMJ Norwich Limited	Dental practices	England
*Dolby Medical Limited	Equipment servicing	Scotland
*Dolby Medical EBT Trustee Limited	Non-trading	Scotland
Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England
Du Toit and Burger Partnership (Ipswich) Ltd	Dental practices	England
Du Toit and Burger Partnership (Silvertown) Ltd	Dental practices	England
Du Toit and Burger Partnership (Stratford) Ltd	Dental practices	England
Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England
Du Toit and Burger Partnership Limited	Dental practices	England
Durgan and Ashworth Dental Care Limited	Dental practices	England
Euxton (No 1) Limited	Dental practices	England
Falchion Orthodontics Limited	Dental practices	England
Fallowfield (No 1) Limited	Dental practices	England
Family Dental Care Limited	Dental practices	Scotland
Ffolliot Bird Associates Limited	Dental practices	England
First Choice Dental Limited	Dental practices	England
Flagstaff Dental Clinic Limited	Dental practices	England
Fleetwood Practice Limited	Dental practices	England
***Hackremco (No. 2637) Limited	Dormant	England
*Halldent Limited	Dental practices	England
***Handpiece Express Limited	Dormant	England
*Hayle Dental Practice Limited	Dental practices	England
Healthcare Buying Group Limited	Non-trading	England
Hessle Grange Dental Care Limited	Dental practices	England
Hillcrest Ionian Limited	Dental practices	England
Hirst and O'Donnell Ltd	Dental practices	England
HM Logistics Limited	Healthcare goods and services	England
IDH 324 & 325 Ltd	Dental practices	England
IDH 331 Ltd	Dental practices	England

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
IDH 341 Ltd	Dental practices	England
IDH 346 Ltd	Dental practices	England
IDH 363 Limited	Dental practices	England
IDH 403 Ltd	Dental practices	England
IDH 406 Ltd	Dental practices	England
IDH 418 Ltd	Dental practices	England
IDH 437 Ltd	Dental practices	England
IDH 441 to 444 Ltd	Dental practices	England
IDH 449 Limited	Dental practices	England
IDH 450 Limited	Dental practices	England
IDH 474 Limited	Dental practices	England
IDH 476 Limited	Dental practices	England
IDH 477 Limited	Dental practices	England
IDH 622 Limited	Dental practices	England
IDH Acquisitions Limited	Non-trading	England
IDH Group Limited	Non-trading	England
IDH Limited	Dental practices	England
IDH Mansfield Ltd	Dental practices	England
Integrated Dental Holdings Limited	Non-trading	England
Jackro Healthcare Services Limited	Dental practices	England
KH&GW Limited	Dental practices	England
M C Dentistry Limited	Dental practices	England
Mainstone Health Limited	Dental practices	England
Manchester Orthodontists Limited	Dental practices	England
*Med-FX Limited	Distributor of facial aesthetics products	England
Mi-Tec Limited	Equipment repair	England
Mintek UK Limited	Healthcare goods and services	England
Murgelas Practice Management Limited	Dental practices	England
My Dental Holdings Limited	Non-trading	England
***MyDentist Limited	Dormant	England
Natural Management Ltd	Non-trading	England
Offerton Fold Dental Practice Ltd	Dental practices	England
Olivers Dental Studio Limited	Dental practices	England
Orthocentres Limited	Dental practices	England
*Orthodontic Centre (UK) Limited	Dental practices	England
*Orthodontic Services Limited	Dental practices	Northern Ireland
Orthoworld 2000 Limited	Dental practices	England
Orthoworld Limited	Non-trading	England
***OurDentist Ltd	Dormant	England
Padgate (No 1) Limited	Dental practices	England
Palmerston Precinct Practice Limited	Dental practices	England
*PDS Dental Laboratories Leeds Limited	Dental laboratory	England
Pearl Bidco Limited	Non-trading	England
Pearl Cayman 1 Limited	Non-trading	Cayman Islands
Pearl Cayman 2 Limited	Non-trading	Cayman Islands
Pearl Topco Limited	Non-trading	England
Petrie Tucker and Partners Limited	Dental practices	Scotland**
Phoenix Dental Practice Limited	Dental practices	England
Phoenix Dental Limited	Dental practices	England
PJ Burridge Ltd	Dental practices	England
*Premier Dental Limited	Dental practices	England
Priory House Dental Care Limited	Dental practices	England
Q Dental Care Limited	Dental practices	England
***Q Dental Surgeries Limited	Dormant	England
Queensferry Dental Surgery Limited	Dental practices	England
Richmond House Practice Limited	Dental practices	England
Richard Flanagan & Associates Limited	Dental practices	England
Romford Orthodontics Centre Limited	Dental practices	England
S L S Dental Care Limited	Dental practices	England
Salcombe Dental Practice Limited	Dental practices	England
Shadeshire Limited	Non-trading	England

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
Silverdale Dental Care Ltd	Dental practices	England
***Smile Dental Practices Limited	Dormant	England
South Tyneside Smiles Limited	Dental practices	England
***Speed 8599 Limited	Dormant	England
***Speed 8600 Limited	Dormant	England
SRDP Limited	Dental practices	England
*Stalbridge Dental Practice Limited	Dental practices	England
*Stunning Smiles Limited	Dental practices	Northern Ireland
TAG Medical Limited	Medical equipment and testing	England
The Bristol Endodontic Clinic Limited	Dental practices	England
The Crescent Specialist Dental Centre Ltd	Dental practices	England
The Dental Directory Limited	Non-trading	England
The Domiciliary Dental Practice Limited	Dental practices	England
The Plains' Dental Practice Limited	Dental practices	England
The Village Practice Ltd	Dental practices	England
The Visiting Dental Service Limited	Dental practices	England
Tully Crine Limited	Dental practices	England
Unnati Limited	Dental practices	England
***Unodent Limited	Dormant	England
***Viren Patel and Associates Limited	Dormant	England
Westhoughton (No 1) Limited	Dental practices	England
Westpark Dental Practice Limited	Dental practices	England
White Dental Care Limited	Dental practices	Northern Ireland
Whitecross Dental Care Limited	Dental practices	England
Whitecross Group Limited	Non-trading	England
Whitecross Healthcare Limited	Non-trading	England
***Whitecross Supplies Limited	Dormant	England
Wishaw Cross Dental Care Limited	Dental practices	Scotland
X-Dent Limited	Healthcare goods and services	Jersey

** Denotes company acquired during the year ended 31 March 2016*

*** Countries of operation are England, Scotland and Wales*

**** Exempt from audit*

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

Name of partnership
1A Dental Practice Partnership
1A Group Dental Practice Partnership
Abercromby Health Centre Partnership
Amit Rai and Fizan Tahir Partnership
*Ardent Dental Care Practice Partnership
Armley Dental Practice Partnership
Aspire Dental Practice Partnership
*Avante Dental Care Practice 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
Brinsworth Lane Dental Care Partnership
Brixton Hill Dental Practice 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

Name of partnership
Olivers Dental Studio Partnership
Picton Road Dental Practice Partnership
Railway Road Dental Practice Partnership
Red Rose Dental Group
Rhos Road Dental Practice Partnership
Rhyl and Abergele Elwy Dental Partnership
*Ripponden Road Dental Practice Partnership
*Risley Hill Dental Centre Partnership
River Wye Dental Practice Partnership
Saint Andrews Dental Practice Partnership
Severn Street Dental Practice Partnership
Shelldrake Drive Dental Practice Partnership
*SK Dental Staines Road Dental Practice Partnership
Sneyd Green Dental Practice Partnership
Spittal Hill Dental Surgery Practice Partnership
Stanhope Road Dental Practice Partnership
The Abbey Parade Dental Practice Partnership
The Birley Moor Dental Practice Partnership
The Boulevard Dental Practice Partnership
The Burnby Dental Practice Partnership
The Burnham Dental Practice Partnership
The Bury Dental Practice Partnership
The Caulfield Dental Surgery Partnership

Notes to the consolidated financial statements *(continued)*

17 Investments *(continued)*

Name of partnership
Cherry Orchard Dental Practice Partnership
Colne & Earby Dental Practice Partnership
Cottage Dental Practice Partnership
Crown Dental Practice Partnership
Dalton Dental Surgery Partnership
Deganwy Avenue Dental Practice Partnership
Dividy Road 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
Kings Specialist 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
North Marine Road Dental Practice Partnership
Northgate Dental Health Practice Partnership
Old Brewary Yard Dental Practice Partnership
Old Mill Lane Dental Practice Partnership

Name of 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 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 Kenton Park Dental Practice Partnership
The Killingworth Dental Practice Partnership
The Kings Norton Dental Practice Partnership
The Lacey 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 Newcastle Dental Care Practice Partnership
The Newland Avenue and Castle Street Dental Practice Partnership
The Peterborough Dental Practice Partnership
The Peterlee Dental Practice Partnership
The Queen Street Dental Practice Partnership
The Sea Road Dental Practice Partnership
The Southwick and Whitburn Dental Practice Partnership
The Trewergie 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
Tuebrook Dental Practice Partnership
VI Dental Centre Partnership
West Lodge Dental Practice Partnership
Westbury Park Dental Practice Partnership
Weymouth and the Bridges Dental Practice Partnership
Whiston Village Dental Practice Partnership
*William Shardlow Dental Practice Partnership
Woodview Dental Health Practice Partnership

** Denotes partnership acquired during the year ended 31 March 2016*

Group

The group does not own any investments (2015: none).

Notes to the consolidated financial statements *(continued)*

18 Inventories

	Group 2016 £'000	Group 2015 £'000
Dental practice consumables	**6,992**	6,607
Goods for resale	**13,558**	15,619
	20,550	22,226

The cost of inventories recognised as an expense within cost of sales during the year amounted to £102.1 million (2015: £102.5 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 £2,975,000 (2015: credit of £141,000).

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

Company

The company has no inventories (2015: £nil).

19 Trade and other receivables

	Group 2016 £'000	Group 2015 £'000
Trade receivables	**19,292**	17,631
Amounts owed by related undertakings	**252**	213
Other assets	**4,821**	4,085
Prepayments and accrued income	**25,144**	20,064
	49,509	41,993
Non-current		
Other assets	**958**	2,462

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.

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.

Other assets include funds held in ring-fenced escrow accounts for the settlement of contingent consideration obligations arising from acquisitions. Amounts included within non-current assets are due for settlement after more than one year.

Prepayments and 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.

Notes to the consolidated financial statements *(continued)*

19 Trade and other receivables *(continued)*

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

	Group 2016 £'000	Group 2015 £'000
Sterling	**49,581**	43,549
Euro	**886**	906
	50,467	44,455

As at 31 March 2016, trade receivables of £777,000 were past due and partially impaired (2015: £922,000). A provision for impairment is established based on historical experience. The individually impaired receivables principally relate to the group's practice services division. The ageing of these receivables is as follows:

	Group 2016 £'000	Group 2015 £'000
Not overdue	**64**	42
One month to six months overdue	**230**	278
Over six months overdue	**483**	602
	777	922

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

	Group 2016 £'000	Group 2015 £'000
At 1 April	**843**	228
Acquired through business combinations	**73**	567
Impairment losses recognised	**126**	210
Amounts written off as uncollectable	**(76)**	(57)
Amounts collected	**(26)**	-
Unused amounts reversed	**(332)**	(105)
	608	843

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

Company

The company has no trade or other receivables (2015: £nil).

Notes to the consolidated financial statements *(continued)*

20 Assets classified as held for sale

Assets classified as held for sale comprise freehold and long leasehold properties which have been acquired as part of dental practice acquisitions. These are actively being marketed for sale and the directors have a reasonable expectation that a sale will be completed within twelve months of the balance sheet date. All amounts are denominated in Sterling.

	Group 2016 £'000	Group 2015 £'000
Assets classified as held for sale	**440**	1,979

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, and is therefore within level 2 of the fair value hierarchy. Level 2 fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Company

The company has no assets classified as held for sale (2015: £nil).

21 Cash and cash equivalents

	Group 2016 £'000	Group 2015 £'000
Cash at bank and in hand	**14,942**	29,116

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 30.

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

	Group 2016 £'000	Group 2015 £'000
Sterling	**13,245**	28,347
Euro	**1,086**	199
US Dollar	**432**	489
Other currencies	**179**	81
	14,942	29,116

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

Company

The company has no cash and cash equivalent (2015: £nil)

Notes to the consolidated financial statements *(continued)*

22 Trade and other payables

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Current				
Trade payables	**22,882**	**-**	19,146	-
Amounts owed to group undertakings	**-**	**74**	-	68
Accruals	**79,858**	**-**	56,782	-
Deferred income	**1,271**	**-**	1,426	-
Other taxation and social security	**4,628**	**-**	3,773	-
Contingent consideration	**5,715**	**-**	3,841	-
Government grants	**64**	**-**	124	-
	114,418	**74**	85,092	68
Non-current				
Contingent consideration	**2,932**	**-**	6,186	-
Government grants	**254**	**-**	302	-
	3,186	**-**	6,488	-

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

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 5% (2015: 5%). The discount rate of 5% was selected as an approximation to a 'risk free' rate of return. This is a level 3 fair value measurement (see note 30).

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 2016 £'000	Group 2015 £'000
Sterling	**113,280**	88,719
Euro	**3,856**	2,537
US Dollar	**332**	297
Other currencies	**136**	27
	117,604	91,580

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

Notes to the consolidated financial statements *(continued)*

23 Derivative financial instruments

Derivative financial assets/(liabilities)

	Group 2016 £'000	Group 2015 £'000
Current assets		
Foreign exchange forward contracts	**698**	-
Unquoted equity options	**41**	-
	739	-
Current liabilities		
Foreign exchange forward contracts	**-**	(43)
Unquoted equity options	**(92)**	-
	(92)	(43)
Non-current liabilities		
Interest rate swap contracts	**(2,033)**	(3,103)
	(1,386)	(3,146)

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 30).

Fair value of unquoted equity options
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 unquoted equity options (which combine call options held by the group and call 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 30).

Fair value of interest rate swap contracts
The group enters into fixed-to-floating interest rate swaps to hedge the interest rate risk arising where it has borrowed at floating rates.

On 31 May 2011, as part of this interest rate management strategy, the group entered into two interest rate contracts to swap LIBOR for a fixed rate. One contract for a notional principal amount of £107.50m was due to mature on 30 May 2014 and interest was fixed at 2.6024%. The second contract, also for a notional principal amount of £107.50m, was due to mature on 30 May 2014 and interest was fixed at 2.6024%.

On 30 May 2013, the group cancelled the existing interest rate swap contracts and entered into two new interest rate contracts to swap LIBOR for a fixed rate. One contract for a notional principal amount of £62.50 million matures on 1 June 2017 and interest is fixed at 1.9125%. The second contract, also for a notional principal amount of £62.50 million, matures on 1 June 2017 and interest is fixed at 1.9210%.

The fair value of the interest rate swap contracts is 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 30).

Company

The company has no derivative financial instruments (2015: £nil).

Notes to the consolidated financial statements *(continued)*

24 Borrowings

	Group 2016 £'000	Group 2015 £'000
Non-current		
Senior secured, floating rate and second lien notes		
Due between two and five years	**500,741**	501,018
Bank loans		
Due between two and five years	**39,000**	30,500
Less: unamortised arrangement fees and related costs	**(7,873)**	(10,678)
	531,868	520,840

The directors do not consider the fair value of loans and borrowings to be materially different from their carrying amounts.

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.

Throughout the year ended 31 March 2016 the group had the following available borrowing facilities:

- £200 million of senior secured notes. The notes were issued on 30 May 2013 and mature at par on 1 December 2018. Interest is payable semi-annually on 1 March and 1 September each year at a fixed coupon of 6% per annum.
- £225 million of senior secured floating rate notes. The notes were issued on 30 May 2013 (£125 million) and 9 May 2014 (£100 million) and mature at par on 1 December 2018. Interest is payable quarterly on 1 March, 1 June, 1 September and 1 December each year at a coupon of 3 month LIBOR plus 5% per annum. The £100 million of notes issued on 9 May 2014 were issued at a price of 101.25, a premium of 1.25% over par. The premium arising of £1.25 million is being amortised over the remaining term to maturity in line with the effective interest method.
- £75 million of second lien notes. The notes were issued on 30 May 2013 and mature at par on 1 June 2019. Interest is payable semi-annually on 1 March and 1 September each year at a fixed coupon of 8.5% per annum.
- £100 million Super Senior Revolving Credit Facility ('SSRCF'). £39.0 million has been drawn down against the SSRCF as at 31 March 2016 (2015: £30.5 million). Interest is payable in arrears at a rate of LIBOR plus 4% per annum.

Company

The company has no borrowings (2015: £nil).

Notes to the consolidated financial statements *(continued)*

25 Provisions

Group

	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2014	5,884	4,172	10,056
Arising through business combinations	123	432	555
Utilised in the financial year	(1,147)	(466)	(1,613)
Unwinding of discount	243	27	270
At 31 March 2015	5,103	4,165	9,268

	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2015	5,103	4,165	9,268
Arising through business combinations (note 34)	-	170	170
Re-measurement of provisional amounts from prior year business combinations	-	(162)	(162)
Charged to the income statement	-	1,213	1,213
Utilised in the financial year	(1,024)	(304)	(1,328)
Unwinding of discount	204	24	228
At 31 March 2016	**4,283**	**5,106**	**9,389**

	Group 2016 £'000	Group 2015 £'000
Current	**1,786**	1,869
Non-current	**7,603**	7,399
	9,389	9,268

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 £5.2 million (2015: £6.2 million) has been discounted to present value using a rate of 5% (2015: 5%). The discount rate of 5% 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.

The provisions are expected to be substantially utilised over the next five years.

Company: The company has no provisions (2015: £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 18% (2015: 20%). See also note 13. The movement on the deferred income tax account is as shown below:

	Arising on defined benefit pension obligation £'000	Accelerated capital allowances £'000	Arising on intangible assets £'000	Arising on financial assets £'000	Other temporary differences £'000	Total £'000
At 1 April 2014	-	10,998	(54,603)	412	169	(43,024)
Recognised in income	(2)	(1,083)	3,918	217	(169)	2,881
Recognised in other comprehensive income	85	-	-	-	-	85
Arising through business combinations	-	(160)	(4,100)	-	-	(4,260)
At 31 March 2015	83	9,755	(54,785)	629	-	(44,318)
Recognised in income	6	941	2,558	(326)	-	3,179
Change of tax rate recognised in income	-	(976)	5,673	(63)	-	4,634
Recognised in other comprehensive income	(89)	-	-	-	-	(89)
Arising through business combinations	-	(229)	(4,498)	-	-	(4,727)
At 31 March 2016	**-**	**9,491**	**(51,052)**	**240**	**-**	**(41,321)**

The group has estimated non-trade losses of £21.6 million (2015: £21.0 million) available for carry forward against future non-trade profits. A deferred income tax asset of £3.9 million (2015: £4.2 million) in respect of these losses has not been recognised as the future recoverability is uncertain or not currently anticipated.

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

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

Net deferred income tax of approximately £5.0 million is expected to unwind to the income statement during the year ended 31 March 2017.

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

	Arising on defined benefit pension obligation £'000	Accelerated capital allowances £'000	Arising on intangible assets £'000	Arising on financial assets £'000	Other temporary differences £'000	Total £'000
Assets						
At 31 March 2015	83	9,755	-	629	-	10,467
At 31 March 2016	**-**	**9,491**	**-**	**240**	**-**	**9,731**
Liabilities						
At 31 March 2015	-	-	(54,785)	-	-	(54,785)
At 31 March 2016	**-**	**-**	**(51,052)**	**-**	**-**	**(51,052)**

Company: The company has no deferred income tax (2015: £nil).

Notes to the consolidated financial statements *(continued)*

27 Share capital

Group and company	**Number issued**	**2016 £'000**	Number issued	2015 £'000
Allotted, called up and fully paid				
Ordinary shares of £1.00	**410,961,479**	**410,961**	410,961,479	410,961

28 Reserves

The following describes the nature and purpose of each reserve within equity:

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

29 Commitments and contingencies

(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 2016 £'000**	Group 2015 £'000
Within one year	**13,071**	12,960
Between one year and five years	**47,909**	47,589
After five years	**67,515**	66,659
	128,495	127,208

Other	**Group 2016 £'000**	Group 2015 £'000
Within one year	**1,033**	896
Between one year and five years	**1,123**	1,368
	2,156	2,264

(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 (2015: £1.8 million).

Notes to the consolidated financial statements *(continued)*

30 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. Payment is also requested in advance for major courses of private treatment. In the practice services division 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 the practice services division 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.

Following the re-financing completed on 30 May 2013, the group entered into two fixed interest rate contracts totalling £125 million. In addition, due to the fixed rate nature of a further £275 million of the group's senior secured and second lien notes, interest charges are fixed in respect of 74% of the group's total drawn debt (2015: 75%). 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)*

30 Financial instruments *(continued)*

Sensitivity analysis

Management have considered the risk of changes in interest rates upon the group's financial performance. The majority (74%; 2015: 75%) 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 £1.3 million.

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 2016 £'000	Group 2015 £'000
EBITDA before non-underlying items	**80,154**	76,764
Net bank and bond debt	**516,926**	491,724
Net debt to EBITDA	**6.45**	6.41

Net bank and bond debt includes unamortised arrangement fees but excludes loan note and preference share debt.

In addition, management monitors the ratio of net debt to EBITDA adjusted to reflect the estimated annualised impact of acquisitions ('Proforma LTM EBITDA'). Since 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, management considers that this more accurately represents the net indebtedness relative to earnings.

As at 31 March 2016, the estimated ratio of net debt to Proforma LTM EBITDA was 6.09 times (2015: 5.78 times)

EBITDA interest cover

	Group 2016 £'000	Group 2015 £'000
EBITDA before non-underlying items	**80,154**	76,764
Cash finance costs	**35,082**	33,875
EBITDA interest cover	**2.28**	2.27

Cash finance costs exclude loan note interest, preference share dividends, amortisation of transaction costs and fair value movements on interest rate swap contracts.

The group's principal loan covenant is in respect of the ratio of gross debt drawn under the SSRCF to EBITDA ('Super Senior Gross Leverage Ratio'), which is required to be less than 2.3 times. At 31 March 2016, the group comfortably complied with its loan covenants. In particular, the Super Senior Gross Leverage Ratio was 0.51 times (2015: 0.42 times).

Notes to the consolidated financial statements *(continued)*

30 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 2015	**Less than one year £'000**	**Between one and two years £'000**	**Between two and five years £'000**	**After five years £'000**
Loans and borrowings	-	-	531,518	-
Trade and other payables	79,893	4,623	1,766	99
	79,893	4,623	533,284	99

At 31 March 2016	**Less than one year £'000**	**Between one and two years £'000**	**Between two and five years £'000**	**After five years £'000**
Loans and borrowings	-	-	539,741	-
Trade and other payables	108,519	1,959	1,053	69
	108,519	**1,959**	**540,794**	**69**

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 2016**			At 31 March 2015		
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets						
Assets held for sale	-	**440**	-	-	1,979	-
Derivative financial instruments	-	**698**	**41**	-	-	-
Financial liabilities						
Derivative financial instruments	-	**(2,033)**	**(92)**	-	(3,146)	-
Contingent consideration	-	-	**(8,542)**	-	-	(10,027)

Notes to the consolidated financial statements *(continued)*

30 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 (2015: 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 include:

- 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 presents the changes in Level 3 financial instruments:

Contingent consideration

	Group 2016 £'000	Group 2015 £'000
At 1 April	**10,027**	10,109
Arising through business combinations	**2,528**	3,690
Short term retentions	**1,041**	1,045
Contingent consideration settled	**(935)**	(723)
Contingent consideration settled from escrow funds	**(1,309)**	(2,109)
Short term retentions settled	**(1,079)**	(2,170)
Differences between contingent consideration paid and estimates initially recognised	**(2,158)**	(181)
Unwinding of discount	**532**	366
At 31 March	**8,647**	10,027

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

Unquoted equity options

	Assets		**Liabilities**	
	Group 2016 £'000	Group 2015 £'000	**Group 2016 £'000**	Group 2015 £'000
At 1 April	**-**	-	**-**	-
Arising through business combinations	**41**	-	**(92)**	-
At 31 March	**41**	-	**(92)**	-

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

Notes to the consolidated financial statements *(continued)*

31 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 £814,000 (2015: £796,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2015: £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 2016 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 £39,000 (2015: £45,000). 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 2014 and was updated for disclosure purposes to 31 March 2015 and 31 March 2016 by a qualified independent actuary.

The significant actuarial assumptions were as follows:

	Group 2016 %	Group 2015 %
Rate of increase in pensions in payment and deferred pensions	**3.10**	3.20
Discount rate applied to scheme liabilities	**3.80**	3.10
Inflation assumption	**3.10**	3.20

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 2016 will on average live for a further 22.8 years (2015: 22.9 years) after retirement if they are male and 25.2 years (2015: 24.9 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 (2015: 24.3 years) after retirement if they are male and 26.6 years (2015: 26.4 years) if they are female.

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

	Group 2016 £'000	Group 2015 £'000
Present value of funded obligations	**(4,293)**	(5,134)
Fair value of plan assets	**4,638**	4,720
Surplus/(deficit) in the scheme	**345**	(414)
Less: surplus not recognised	**(345)**	-
Deficit recognised in the balance sheet	**-**	(414)

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)*

31 Post employment benefits *(continued)*

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

	2016			2015		
	Present value of funded obligations	**Fair value of plan assets**	**Surplus/ (deficit)**	Present value of funded obligations	Fair value of plan assets	Surplus/ (deficit)
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
At 1 April	**(5,134)**	**4,720**	**(414)**	(4,287)	4,432	145
Scheme expenses paid out	**-**	**(20)**	**(20)**	(20)	-	(20)
Interest (expense)/income	**(158)**	**145**	**(13)**	(174)	205	31
	(158)	**125**	**(33)**	(194)	205	11
Re-measurement:						
Return on plan assets excluding interest income	**-**	**(129)**	**(129)**	-	393	393
Re-measurement gain from changes in demographic assumptions	**232**	**-**	**232**	61	-	61
Re-measurement gain/(loss) from changes in financial assumptions	**704**	**-**	**704**	(976)	-	(976)
Experience loss	**(15)**	**-**	**(15)**	(48)	-	(48)
	921	**(129)**	**792**	(963)	393	(570)
Benefits paid	**78**	**(78)**	**-**	310	(310)	-
At 31 March	**(4,293)**	**4,638**	**345**	(5,134)	4,720	(414)

Plan assets are comprised as follows:

	2016		2015	
	Value	**Percentage of plan assets**	Value	Percentage of plan assets
	£'000	**%**	£'000	%
Equities	**1,937**	**42%**	2,011	42%
Bonds	**2,476**	**53%**	2,553	54%
Property	**214**	**5%**	127	3%
Cash	**11**	**-**	29	1%
Total market value of plan assets	**4,638**	**100%**	4,720	100%

The sensitivity of the 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 12%
Rate of inflation	Increase by 0.5%	Increase by 5%
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)*

32 Related party transactions

Transactions with entities under the control of key management personnel

During the year ended 31 March 2016, the group has entered into the following transactions with entities which are under the control of Martin Mills. During the year, Mr Mills served in the capacity of non-executive chairman of the group's practice services division. During the previous year, Mr Mills served as Managing Director of The Dental Directory following its acquisition by the group on 17 April 2014, until January 2015 when he took up his role as chairman of the practice services division. Mr Mills ceased his employment with the group with effect from 31 March 2016.

Sharksfin Holdings Limited
The group leases certain warehouse and office premises from Sharksfin Holdings Limited, a company incorporated in England and in which Mr Mills has a majority shareholding. During the year ended 31 March 2016, the rent charge in respect of these premises was £488,000 (period from 18 April 2014 to 31 March 2015: £324,000). No balance was due to or from Sharksfin Holdings Limited at 31 March 2016 (2015: £53,000 due to Sharksfin Holdings Limited).

Med-FX Limited
During the period from 1 April 2015 to 31 August 2015, the group sold goods and services with an aggregate value of £3,318,000 (net of rebates receivable) to Med-FX Limited, a company incorporated in Jersey and, then, a wholly owned subsidiary of Sharksfin Holdings Limited (period from 18 April 2014 to 31 March 2015: £7,113,000).

In addition, Med-FX recharged the group a total of £14,000 in respect of various services during the same period (period from 1 April 2014 to 31 March 2015: £24,000)

On 31 August 2015, the group acquired 100% of the ordinary share capital of Med-FX Limited from Sharksfin Holdings Limited. Therefore, from this date onwards, transactions between group companies and Med-FX Limited are exempt from disclosure in accordance with IAS 24 – Related Party Disclosures.

At 31 March 2015, £854,000 was due from Med-FX Limited and £13,000 was due to Med-FX Limited.

The Weavers Pension Scheme
The group leases certain warehouse premises from The Weavers Pension Scheme, a pension scheme of which Mr Mills is a trustee and beneficiary. During the year ended 31 March 2016, the rent charge in respect of these premises was £66,000 (period from 18 April 2014 to 31 March 2015: £63,000). No balance was due to or from The Weavers Pension Scheme at either 31 March 2016 or 31 March 2015.

Notes to the consolidated financial statements *(continued)*

33 Cash generated from operations

	Group 2016 £'000	Group 2015 £'000
Loss before income tax	**(25,927)**	(15,517)
Adjustments:		
Depreciation of property, plant and equipment	**18,750**	16,857
Amortisation of government grants	**(154)**	(318)
Amortisation of intangible assets	**31,647**	29,328
Finance costs	**38,660**	40,019
Finance income	**(1,140)**	(105)
Loss on business and asset disposals	**2,614**	(567)
Differences between contingent consideration paid and estimates initially recognised	**(2,158)**	(181)
Defined benefit pension scheme service cost	**20**	20
Net foreign exchange gains	**(424)**	(14)
Cash generated from operations before movements in working capital	**61,888**	69,522
Movements in working capital:		
Decrease/(increase) in inventories	**2,157**	(247)
(Increase)/decrease in trade and other receivables	**(6,525)**	3,864
Increase in trade and other payables	**23,848**	5,839
Decrease in provisions	**(1,387)**	(1,612)
Total movements in working capital	**18,093**	7,844
Cash generated from operations	**79,981**	77,366

Notes to the consolidated financial statements *(continued)*

34 Business combinations

Patient services

During the year the group's patient services division acquired the entire issued share capital of 17 companies incorporating 23 dental practices. The group also acquired the businesses of a further 11 unincorporated dental practices. 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. Details of the companies and partnerships acquired are set out in note 17.

	£'000
Consideration	
Cash	39,533
Contingent consideration	2,038
Total consideration	**41,571**
Fair value of assets and liabilities acquired	
Intangible assets	27,218
Property, plant and equipment	1,961
Assets held for sale	863
Inventories	68
Trade and other receivables	63
Trade and other payables	(2)
Current income tax	(98)
Deferred income tax	(3,843)
Provisions	(170)
Total identifiable net assets	**26,060**
Goodwill	15,511
Total	**41,571**

Included within the cash consideration are loans made by the acquiring entities to the acquired company in order to settle vendor shareholder loans of £3.4 million.

In addition to the consideration shown above, acquisition related fees and expenses of £1.3 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 7.58%. This is a level 3 fair value measurement (see note 30).

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

The fair value of trade and other receivables represents their contracted amounts.

During the year ended 31 March 2016, the above acquisitions contributed revenue of £10.4 million and EBITDA before non-underlying items of £2.5 million to the group results. If the above acquisitions had all been completed on 1 April 2016, their contribution to group revenue and EBITDA before non-underlying items would have been approximately £26.3 million and £6.3 million respectively.

Notes to the consolidated financial statements *(continued)*

34 Business combinations *(continued)*

Practice services

During the year the group's practice services division acquired majority interests in the issued share capital of the companies listed below. Further details are included in note 17.

Name of acquisition	Date of acquisition	% interest in ordinary share capital acquired
Med-FX Limited	31 August 2016	100%
PDS Dental Laboratory Leeds	18 March 2016	90%
Changing Faces (West Yorkshire) Limited	18 March 2016	90%*
Dolby Medical Limited	31 March 2016	100%
Dolby Medical EBT Trustee Limited	31 March 2016	100%

** 90% indirect ownership of the issued share capital*

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.

	£'000
Consideration	
Cash	6,497
Contingent consideration	490
Total consideration	**6,987**
Fair value of assets and liabilities acquired	
Intangible assets	4,915
Property, plant and equipment	584
Inventories	436
Trade and other receivables	1,504
Cash and cash equivalents	1,441
Trade and other payables	(2,377)
Current income tax	(239)
Deferred income tax	(884)
Derivative financial liabilities	(51)
Total identifiable net assets	**5,329**
Goodwill	1,658
Total	**6,987**

In addition to the consideration shown above, acquisition related fees and expenses of £0.5 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 8.76%. This is a level 3 fair value measurement (see note 30).

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

The fair value of trade and other receivables represents their contracted amounts.

During the year ended 31 March 2016, the above acquisitions contributed revenue of £5.9 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 2016, their contribution to group revenue and EBITDA before non-underlying items would have been approximately £15.3 million and £1.2 million respectively.

Notes to the consolidated financial statements *(continued)*

35 Subsequent events

Since 31 March 2016, the group has acquired two dental practices.

The total consideration was £1.4 million.

36 Controlling party

The immediate parent undertaking is Turnstone Midco 1 Limited.

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

At 31 March 2016 and throughout the year, the ultimate controlling party of Turnstone Midco 2 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group.

37 Transition to IFRS

As stated in note 2 (a), these are the first Financial Statements prepared by the group in accordance with IFRS. The group's deemed transition date to IFRS is 1 April 2014.

The accounting policies described in note 2 have been applied in preparing the financial statements for the year ended 31 March 2016 along with the comparative information for the year ended 31 March 2015.

In preparing its opening IFRS balance sheet and adjusting amounts reported previously in the financial statements prepared in accordance with UK GAAP, the group has considered IFRS 1, which contains a number of voluntary and mandatory exemptions from the requirements to apply IFRS retrospectively. The group has not applied any of these optional exemptions under IFRS 1. Specifically, the group has 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.

Adjustments made in connection with the transition to IFRS

The group has made the following significant adjustments to the assets, liabilities, income and expenditure previously reported in its UK GAAP financial statements, to reflect differences in the accounting treatment under IFRS:

(a) Identification of intangible assets:

Intangible assets acquired through business combinations have been valued using appropriate valuation techniques and the computed amounts reflected within the balance sheet. The principal effect of valuing these intangible assets is to reduce the amount of goodwill previously reported under UK GAAP. Furthermore, goodwill is not subject to amortisation under IFRS as it was under UK GAAP.

(b) Acquisitions related fees and expenses:

The group incurs certain professional fees and expenses in the course of completing business combinations. Under UK GAAP these costs were capitalised into goodwill and recognised on the balance sheet. Under IFRS, this treatment is not permitted and such expenses have been charged through the income statement. Further details of these amounts can be found in notes 5 and 34.

(c) Treatment of freehold property assets:

The group will, on occasion, acquire freehold properties as part of a business combination. The group acquires these properties solely to facilitate the acquisition of the business of one or more dental practices. The group's intention upon completion is to sell and lease back the property to a third party as soon as practicable. Accordingly, such assets have been recognised as assets held for sale within the balance sheet. Under UK GAAP these properties were recognised within tangible fixed assets.

(d) Deferred income tax:

Under IFRS, deferred income tax temporary differences are recognised in respect of all assets and liabilities that will not be deductible for taxation purposes. The resulting deferred income tax liability principally arises from the group's identified intangible assets.

Notes to the consolidated financial statements *(continued)*

37 Transition to IFRS *(continued)*

(e) Derivative financial instruments:

IFRS requires the group to recognise the fair value of its interest rate hedging contracts, foreign exchange forward contracts and equity options on the balance sheet and to charge or credit any movements in the fair value of these assets through the income statement in each financial year. Under UK GAAP, the group was not required to recognise the fair value of these contracts within its financial statements.

(f) Contingent consideration:

Under IFRS, contingent consideration should be recognised at fair value at the date of acquisition, with the estimated future cashflows discounted back to their present value. In addition, any subsequent adjustments to the fair value of the consideration payable should be recognised through the income statement.

(g) Employee benefits:

Under IFRS, wages, salaries and other short term employee benefits must be recognised in the income statement only when an employee has rendered the service for which they are being remunerated. The adjustment from UK GAAP reflects the value of employee holiday entitlement accrued but not utilised at each balance sheet date. During the year ended 31 March 2015, the group aligned the holiday year with the financial year end resulting in a non-recurring benefit in that year.

(h) Presentation of current and non-current assets:

Under IFRS, assets and liabilities are split between the elements that are considered to be current and the elements considered to be non-current. This leads to some presentational differences when compared to UK GAAP.

Reconciliations to IFRS of the results previously reported under UK GAAP are provided on the following pages.

Notes to the consolidated financial statements *(continued)*

37 Transition to IFRS *(continued)*

Consolidated income statement
For the year ended 31 March 2015

	UK GAAP	Intangible assets arising on business combin-ations	Acquisition related fees and expenses	Treatment of freehold property assets	Deferred income tax	Derivative financial instruments	Contingent consider-ation	Employee benefits	**IFRS**
		note (a)	note (b)	note (c)	note (d)	note (e)	note (f)	note (g)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Revenue	**534,244**	-	-	-	-	-	-	-	**534,244**
Cost of sales	**(294,877)**	-	-	-	-	-	-	-	**(294,877)**
Gross profit	**239,367**	-	-	-	-	-	-	-	**239,367**
Distribution costs	**(13,047)**	-	-	-	-	-	-	-	**(13,047)**
Administrative expenses	**(210,851)**	9,290	(3,921)	683	-	-	181	890	**(203,728)**
Other income	**1,791**	-	-	-	-	-	-	-	**1,791**
Other gains	**-**	-	-	-	-	14	-	-	**14**
Operating profit	**17,260**	9,290	(3,921)	683	-	14	181	890	**24,397**
Analysed as									
EBITDA	**76,764**	-	-	-	-	-	-	-	**76,764**
Amortisation of intangible assets	**(38,618)**	9,290	-	-	-	-	-	-	**(29,328)**
Depreciation	**(16,973)**	-	-	116	-	-	-	-	**(16,857)**
Amortisation of government grants	**318**	-	-	-	-	-	-	-	**318**
Other non-underlying items	**(4,231)**	-	(3,921)	567	-	-	181	890	**(6,514)**
Foreign exchange gains	**-**	-	-	-	-	14	-	-	**14**
Operating profit	**17,260**	9,290	(3,921)	683	-	14	181	890	**24,397**
Gains on business and asset disposals	**1,352**	-	-	(1,352)	-	-	-	-	**-**
Finance costs	**(38,610)**	-	-	-	-	(1,043)	(366)	-	**(40,019)**
Finance income	**105**	-	-	-	-	-	-	-	**105**
Net finance costs	**(38,505)**	-	-	-	-	(1,043)	(366)	-	**(39,914)**
Loss before income tax	**(19,893)**	9,290	(3,921)	(669)	-	(1,029)	(185)	890	**(15,517)**
Income tax (charge)/credit	**(621)**	-	-	-	3,502	-	-	-	**2,881**
Loss for the year	**(20,514)**	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	**(12,636)**
Attributable to:									
Owners of the parent	**(20,429)**	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	**(12,551)**
Non-controlling interests	**(85)**	-	-	-	-	-	-	-	**(85)**
	(20,514)	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	**(12,636)**

Notes to the consolidated financial statements *(continued)*

37 Transition to IFRS *(continued)*

Consolidated balance sheet
At 1 April 2014

	UK GAAP	Intangible assets arising on business combinations	Acquisition related fees and expenses	Treatment of freehold property assets	Deferred income tax	Derivative financial instruments	Contingent consideration	Employee benefits	Current / non-current classification	IFRS
		note (a)	note (b)	note (c)	note (d)	note (e)	note (f)	note (g)	note (h)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Assets										
Non-current assets										
Goodwill	**614,834**	(390,943)	(12,116)	(584)	80,927	-	(973)	637	-	**291,782**
Other intangible assets	**-**	416,869	-	-	-	-	-	-	-	**416,869**
Property, plant and equipment	**83,268**	-	-	(6,976)	-	-	-	-	-	**76,292**
Other receivables	**-**	-	-	-	-	-	-	-	3,966	**3,966**
Deferred income tax assets	**9,517**	-	-	-	2,062	-	-	-	-	**11,579**
	707,619	25,926	(12,116)	(7,560)	82,989	-	(973)	637	3,966	**800,488**
Current assets										
Inventories	**7,573**	(105)	-	-	-	-	-	-	-	**7,468**
Trade and other receivables	**35,255**	(96)	-	-	-	-	-	-	(3,966)	**31,193**
Current income tax	**135**	-	-	-	-	-	-	-	-	**135**
Derivative financial instruments	**-**	-	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	**6,936**	-	-	-	-	-	-	-	-	**6,936**
	49,899	(201)	-	-	-	-	-	-	(3,966)	**45,732**
Assets classified as held for sale	**-**	-	-	7,754	-	-	-	-	-	**7,754**
Total assets	**757,518**	25,725	(12,116)	194	82,989	-	(973)	637	-	**853,974**
Equity attributable to the owners of the parent										
Share capital	**410,961**	-	-	-	-	-	-	-	-	**410,961**
Accumulated losses	**(143,284)**	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	-	**(104,050)**
	267,677	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	-	**306,911**
Non-controlling interest	**(34)**	-	-	-	-	-	-	-	-	**(34)**
Total equity	**267,643**	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	-	**306,877**

Notes to the consolidated financial statements *(continued)*

37 Transition to IFRS *(continued)*

Consolidated balance sheet
At 1 April 2014 *(continued)*

	UK GAAP	Intangible assets arising on business combinations	Acquisition related fees and expenses	Treatment of freehold property assets	Deferred income tax	Derivative financial instruments	Contingent consideration	Employee benefits	Current / non-current classification	**IFRS**
		note (a)	note (b)	note (c)	note (d)	note (e)	note (f)	note (g)	note (h)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Liabilities										
Non-current liabilities										
Borrowings	**408,535**	-	-	-	-	-	-	-	-	**408,535**
Other payables	**5,878**	-	-	-	-	-	(720)	-	(85)	**5,073**
Deferred income tax liabilities	**-**	-	-	-	54,603	-	-	-	-	**54,603**
Post employment benefits	**-**	-	-	-	-	-	-	-	-	**-**
Provisions	**10,217**	(161)	-	-	-	-	-	-	(1,854)	**8,202**
Derivative financial instruments	**-**	-	-	-	-	2,060	-	-	-	**2,060**
	424,630	(161)	-	-	54,603	2,060	(720)	-	(1,939)	**478,473**
Current liabilities										
Trade and other payables	**65,048**	542	-	-	-	-	-	890	85	**66,565**
Current income tax	**197**	8	-	-	-	-	-	-	-	**205**
Provisions	**-**	-	-	-	-	-	-	-	1,854	**1,854**
Derivative financial instruments	**-**	-	-	-	-	-	-	-	-	**-**
	65,245	550	-	-	-	-	-	890	1,939	**68,624**
Total liabilities	**489,875**	389	-	-	54,603	2,060	(720)	890	-	**547,097**
Total equity and liabilities	**757,518**	25,725	(12,116)	194	82,989	-	(973)	637	-	**853,974**

Notes to the consolidated financial statements *(continued)*

37 Transition to IFRS *(continued)*

Consolidated balance sheet
At 31 March 2015

	UK GAAP	Intangible assets arising on business combinations	Acquisition related fees and expenses	Treatment of freehold property assets	Deferred income tax	Derivative financial instruments	Contingent consideration	Employee benefits	Current / non-current classification	**IFRS**
		note (a)	note (b)	note (c)	note (d)	note (e)	note (f)	note (g)	note (h)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Assets										
Non-current assets										
Goodwill	**675,039**	(418,525)	(16,037)	(584)	85,026	57	(3,098)	637	-	**322,515**
Other intangible assets	**-**	453,152	-	-	-	-	-	-	-	**453,152**
Property, plant and equipment	**91,374**	-	-	(1,870)	-	-	-	-	-	**89,504**
Other receivables	**-**	-	-	-	-	-	-	-	2,462	**2,462**
Deferred income tax assets	**8,737**	-	-	-	1,730	-	-	-	-	**10,467**
	775,150	34,627	(16,037)	(2,454)	86,756	57	(3,098)	637	2,462	**878,100**
Current assets										
Inventories	**22,226**	-	-	-	-	-	-	-	-	**22,226**
Trade and other receivables	**44,455**	-	-	-	-	-	-	-	(2,462)	**41,993**
Current income tax	**550**	-	-	-	-	-	-	-	-	**550**
Derivative financial instruments	**-**	-	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	**29,116**	-	-	-	-	-	-	-	-	**29,116**
	96,347	-	-	-	-	-	-	-	(2,462)	**93,885**
Assets classified as held for sale	**-**	-	-	1,979	-	-	-	-	-	**1,979**
Total assets	**871,497**	34,627	(16,037)	(475)	86,756	57	(3,098)	637	-	**973,964**
Equity attributable to the owners of the parent										
Share capital	**410,961**	-	-	-	-	-	-	-	-	**410,961**
Accumulated losses	**(164,053)**	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	**(116,941)**
	246,908	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	**294,020**
Non-controlling interest	**(119)**	-	-	-	-	-	-	-	-	**(119)**
Total equity	**246,789**	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	**293,901**

Notes to the consolidated financial statements *(continued)*

37 Transition to IFRS *(continued)*

Consolidated balance sheet
At 31 March 2015 *(continued)*

	UK GAAP	Intangible assets arising on business combinations	Acquisition related fees and expenses	Treatment of freehold property assets	Deferred income tax	Derivative financial instruments	Contingent consideration	Employee benefits	Current / non-current classification	IFRS
		note (a)	note (b)	note (c)	note (d)	note (e)	note (f)	note (g)	note (h)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Liabilities										
Non-current liabilities										
Borrowings	**520,840**	-	-	-	-	-	-	-	-	**520,840**
Other payables	**7,421**	-	-	-	-	-	(2,659)	-	1,726	**6,488**
Deferred income tax liabilities	**-**	-	-	-	54,785	-	-	-	-	**54,785**
Post employment benefits	**331**	-	-	-	83	-	-	-	-	**414**
Provisions	**9,268**	-	-	-	-	-	-	-	(1,869)	**7,399**
Derivative financial instruments	**-**	-	-	-	-	3,103	-	-	-	**3,103**
	537,860	-	-	-	54,868	3,103	(2,659)	-	(143)	**593,029**
Current liabilities										
Trade and other payables	**86,818**	-	-	-	-	-	-	-	(1,726)	**85,092**
Current income tax	**30**	-	-	-	-	-	-	-	-	**30**
Provisions	**-**	-	-	-	-	-	-	-	1,869	**1,869**
Derivative financial instruments	**-**	-	-	-	-	43	-	-	-	**43**
	86,848	-	-	-	-	43	-	-	143	**87,034**
Total liabilities	**624,708**	-	-	-	54,868	3,146	(2,659)	-	-	**680,063**
Total equity and liabilities	**871,497**	34,627	(16,037)	(475)	86,756	57	(3,098)	637	-	**973,964**