Turnstone Equityco 1 Limited

Annual report and consolidated financial statements

Registered number 07496756

Year ended 31 March 2016

Contents

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 Equityco 1 Limited ('the group') are the operation of dental practices and the provision of materials, services and equipment to dental practices.

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

Business ownership

The group is jointly owned by The Carlyle Group ('Carlyle') and Palamon Capital Partners ('Palamon').

Founded in 1987, Carlyle is one of the world's largest alternative asset managers. Palamon, founded in 1999, is an independent private equity partnership focused on providing equity for European growth services companies.

Carlyle and Palamon have joint control of Turnstone Equityco 1 Limited. Carlyle's majority holding is owned by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group is through its fund Palamon European Equity II, L.P. As at 31 March 2016, senior managers of the group held 15.9% of the equity interest in the company (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 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	(98.2)	(94.0)
Loss before income tax	(86.6)	(69.6)
Income tax credit	7.8	2.9
Loss for the year	**(78.8)**	**(66.7)**

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 £1,096.7 million (2015: £1,025.0 million). Borrowings comprise £531.9 million (2015: £520.8 million) of senior debt as detailed above, net of unamortised arrangement fees, along with £524.4 million (2015: £468.1 million) of 12% loan notes and £40.5 million (2015: £36.1 million) of preference shares, which together include accrued interest and dividends of £226.7 million (2015: £166.0 million). The loan notes are not redeemable until May 2021.

Consolidated cash flow statement
Cash generated from operations of £80.0 million (2015: £77.5 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 £15.1 million (2015: £29.2 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)	516.8	491.6
Net debt to EBITDA	6.45	6.40
Net debt to proforma EBITDA	6.09	5.78
Cash generated from operations (£'m)	80.0	77.5
Cash generated from operations net of interest paid (£'m)	44.7	43.8

(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 Equityco 1 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
B Cockcroft (appointed 26 June 2015)
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 Equityco 1 Limited

Report on the financial statements

Our opinion

In our opinion:

- Turnstone Equityco 1 Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 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;
- the company 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 Equityco 1 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 8, 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

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*	**(99,331)**	(94,071)
Finance income	*12*	**1,140**	107
Net finance costs		**(98,191)**	(93,964)
Loss before income tax		**(86,598)**	(69,567)
Income tax credit	*13*	**7,813**	2,881
Loss for the year		**(78,785)**	(66,686)
Attributable to:			
Owners of the parent		**(78,679)**	(66,601)
Non-controlling interests		**(106)**	(85)
		(78,785)	(66,686)

All activities are derived from continuing operations.

The notes on pages 21 to 70 form part of these financial statements.

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

	2016 £'000	2015 £'000
Loss for the year	**(78,785)**	(66,686)
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	**(78,426)**	(67,026)
Attributable to:		
Owners of the parent	**(78,320)**	(66,941)
Non-controlling interests	**(106)**	(85)
	(78,426)	(67,026)

Movements above are disclosed net of income tax.

The notes on pages 21 to 70 form part of these financial statements.

Consolidated balance sheet
at 31 March 2016

	Note	2016 £'000	2015 £'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*	**49,529**	42,013
Current income tax		**-**	550
Derivative financial instruments	*23*	**739**	-
Cash and cash equivalents	*21*	**15,066**	29,241
		85,884	94,030
Assets classified as held for sale	*20*	**440**	1,979
Total assets		**988,746**	974,109
Equity attributable to the owners of the parent			
Share capital	*27*	**30**	30
Share premium	*28*	**1,971**	1,971
Accumulated losses	*28*	**(290,664)**	(212,030)
		(288,663)	(210,029)
Non-controlling interest		**89**	(119)
Total equity		**(288,574)**	(210,148)

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

	Note	**2016** **£'000**	2015 £'000
Liabilities			
Non-current liabilities			
Borrowings	*24*	**1,096,732**	1,025,034
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
		1,160,606	1,097,223
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		**1,277,320**	1,184,257
Total equity and liabilities		**988,746**	974,109

The notes on pages 21 to 70 form part of these financial statements.

The financial statements on pages 12 to 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*	-	-
Other receivables	*19*	**3,223**	2,877
		3,223	2,877
Current assets			
Other receivables	*19*	**12**	12
Cash and cash equivalents	*21*	**40**	40
		52	52
Total assets		**3,275**	2,929
Equity			
Share capital	*27*	**30**	30
Share premium	*28*	**1,971**	1,971
Retained earnings	*28*	**1,274**	928
Total equity		**3,275**	2,929

The notes on pages 21 to 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	Share premium £'000	Accumulated losses £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2014	30	1,961	(145,089)	(143,098)	(34)	(143,132)
Comprehensive expense for the year						
Total comprehensive expense for the year	-	-	(66,941)	(66,941)	(85)	(67,026)
Transactions with owners						
Issue of share capital	-	10	-	10	-	10
Balance at 31 March 2015	30	1,971	(212,030)	(210,029)	(119)	(210,148)
Comprehensive expense for the year						
Total comprehensive expense for the year	-	-	(78,320)	(78,320)	(106)	(78,426)
Changes in ownership interests						
Minority interests arising / acquired through business combinations	-	-	(314)	(314)	314	-
Balance at 31 March 2016	**30**	**1,971**	**(290,664)**	**(288,663)**	**89**	**(288,574)**

The notes on pages 21 to 70 form part of these financial statements.

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

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	30	1,961	675	2,666
Comprehensive income for the year				
Total comprehensive income for the year	-	-	253	253
Transactions with owners				
Issue of share capital	-	10	-	10
Balance at 31 March 2015	30	1,971	928	2,929
Comprehensive income for the year				
Total comprehensive income for the year	-	-	346	346
Balance at 31 March 2016	**30**	**1,971**	**1,274**	**3,275**

The notes on pages 21 to 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*	**79,980**	77,467
Income tax received/(paid)		**550**	(550)
Net cash inflow from operating activities		**80,530**	76,917
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)
Proceeds from the issue of ordinary shares		**-**	10
Net cash (outflow)/inflow from financing activities		**(26,768)**	74,458
Net (decrease)/increase in cash and cash equivalents		**(14,175)**	22,291
Cash and cash equivalents at the start of the year		**29,241**	6,950
Cash and cash equivalents at the end of the year		**15,066**	29,241

The notes on pages 21 to 70 form part of these financial statements.

Company cash flow statement

for the year ended 31 March 2016

	2016	2015
	£'000	£'000
Cash flows from operating activities		
Profit before income tax	**346**	253
Finance costs	**(346)**	(202)
Increase in other receivables	-	(12)
Decrease in other payables	-	(22)
Net cash inflow from operating activities	-	17
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	-	10
Net cash inflow from financing activities	-	10
Net increase in cash and cash equivalents	-	27
Cash and cash equivalents at the start of the year	**40**	13
Cash and cash equivalents at the end of the year	**40**	40

The notes on pages 21 to 70 form part of these financial statements.

Notes to the consolidated financial statements

1 Company information

Turnstone Equityco 1 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 Midco 1 Limited and its subsidiaries (collectively, the 'group'). The principal activity of the company during the year was to act as a holding company. The principal activities of the group are the operation of dental practices and the provision of materials, services and equipment to dental practices.

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

2 Accounting policies

(a) Basis of preparation

The 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.

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

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, dividends on redeemable preference shares 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				**(98,191)**
Loss before income tax				**(86,598)**
Segment assets	877,081	119,805	(8,140)	**988,746**
Segment liabilities	(155,217)	(116,932)	(1,005,171)	**(1,277,320)**
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				**(93,964)**
Loss before income tax				**(69,567)**
Segment assets	860,703	119,916	(6,510)	**974,109**
Segment liabilities	(136,527)	(116,322)	(931,408)	**(1,184,257)**
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 £'000	2015 £'000
Audit services		
Audit of the parent company and the consolidated financial statements*	**31**	55
Audit of the company's subsidiaries	**323**	329
	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

** The audit fee in respect of the consolidated and parent company financial statements for the year ended 31 March 2016 has been borne by a subsidiary company.*

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 2016 No of employees	Group 2015 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 2016 £'000	Group 2015 £'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
Loan note interest	**56,323**	50,180
Preference share dividends	**4,348**	3,872
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**	-
	99,331	94,071

12 Finance income

	Group 2016 £'000	Group 2015 £'000
Bank deposit interest	**70**	76
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	107

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 higher (2015: higher) 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	**(86,598)**	(69,567)
Loss before income tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	**(17,320)**	(14,609)
Effects of:		
Expenses not deductible for tax	**12,187**	10,952
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 permanent differences principally arise from an element of finance costs relating to the loan notes and preference shares which are not tax deductible.

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 profit of £346,000 (2015: £253,000) arises from interest on loans to group undertakings.

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	49,302
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	-

The company owns 100% of its immediate subsidiary, Turnstone Midco 1 Limited. The cost and book value of its investment in that entity is £1.

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

The group holds 100% of the ordinary share capital of all of the companies listed, with the exception of 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 Midco 1 Limited	Non-trading	England
Turnstone Midco 2 Limited	Non-trading	England
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	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Current				
Trade receivables	**19,292**	**-**	17,631	-
Amounts owed by group undertakings	**-**	**12**	-	12
Amounts owed by related undertakings	**272**	**-**	233	-
Other assets	**4,821**	**-**	4,085	-
Prepayments and accrued income	**25,144**	**-**	20,064	-
	49,529	**12**	42,013	12
Non-current				
Amounts owed by group undertakings	**-**	**3,223**	-	2,877
Other assets	**958**	**-**	2,462	-
	958	**3,223**	2,462	2,877

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 group undertakings included within non-current assets are in relation to loan notes issued by Turnstone Midco 1 Limited, the company's immediate subsidiary. The amounts are unsecured and are subject to an interest charge of 12% per annum. The amount receivable at 31 March 2016 includes accrued interest of £1,373,000 (2015: £1,027,000).

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

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

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.

Notes to the consolidated financial statements *(continued)*

19 Trade and other receivables *(continued)*

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.

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

	Group 2016 £'000	Group 2015 £'000
Sterling	**49,601**	43,569
Euro	**886**	906
	50,487	44,475

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

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.

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	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Cash at bank and in hand	**15,066**	**40**	29,241	40

Cash deposits are principally held with institutions that hold a minimum credit rating meeting two of the following: BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's). Please also refer to note 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	**13,369**	28,472
Euro	**1,086**	199
US Dollar	**432**	489
Other currencies	**179**	81
	15,066	29,241

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

Notes to the consolidated financial statements *(continued)*

22 Trade and other payables

	Group 2016 £'000	Group 2015 £'000
Current		
Trade payables	**22,882**	19,146
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	85,092
Non-current		
Contingent consideration	**2,932**	6,186
Government grants	**254**	302
	3,186	6,488

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

Company

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

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
Loan notes (due after more than five years)	**524,386**	468,063
Redeemable preference shares (due after more than five years)	**40,478**	36,131
	1,096,732	1,025,034

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.

Loan stock of £314.51 million was issued on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. Interest accrues on the principal amount at a rate of 12% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 11 May 2021. At 31 March 2016, interest of £209.88 million was accrued on these notes (2015: £153.56 million).

A total of 23,627,422 £1 preference shares were issued at par on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. The preference shares have a fixed, cumulative dividend of 12% per annum and are repayable on the earlier of 11 May 2021 or an exit by majority shareholders. At 31 March 2016, 23,627,422 £1 preference shares were in issue (2015: 23,627,422). Preference share dividends of £16.85 million were accrued at 31 March 2016 (2015: £12.50 million).

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				
'A1' ordinary shares of £0.01	**1,681,763**	**17**	1,681,763	17
'A2' ordinary shares of £0.04	**18,236**	**1**	18,236	1
'B' ordinary shares of £0.04	**300,000**	**12**	300,000	12
	1,999,999	**30**	1,999,999	30

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

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

8,668 "B" ordinary shares were issued to Turnstone Management Investments Limited on 6 October 2014 at a price of £1.12 per share.

28 Reserves

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

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

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

Notes to the consolidated financial statements *(continued)*

29 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	**516,802**	491,599
Net debt to EBITDA	**6.45**	6.40

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	504,194
Trade and other payables	79,893	4,623	1,766	99
	79,893	4,623	533,284	504,293

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	564,864
Trade and other payables	108,519	1,959	1,053	69
	108,519	**1,959**	**540,794**	**564,933**

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

Shareholder loans

CEP III IHP S.a.r.l., an entity controlled by The Carlyle Group, and a related party due to common control, holds £254.95 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2015: £254.95 million). During the year to 31 March 2016, interest of £45.78 million was accrued (2015: £40.79 million). The total amount of accrued interest due at 31 March 2016 is £171.29 million (2015: 125.51 million).

ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, holds £59.56 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2015: £59.56 million). During the year to 31 March 2016, interest of £10.54 million was accrued (2015: £9.39 million). The total amount of accrued interest due at 31 March 2016 is £38.58 million (2015: £28.04 million).

ADP Primary Care Acquisitions Limited also holds preference shares in Turnstone Midco 1 Limited with a par value of £20.00 million (2015: £20.00 million). During the year to 31 March 2016, dividends of £3.74 million were accrued (2015: £3.33 million). The total amount of accrued dividends due at 31 March 2016 is £14.84 million (2015: £11.10 million).

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	**(86,598)**	(69,567)
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	**99,331**	94,071
Finance income	**(1,140)**	(107)
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	**(6,526)**	3,965
Increase in trade and other payables	**23,848**	5,839
Decrease in provisions	**(1,387)**	(1,612)
Total movements in working capital	**18,092**	7,945
Cash generated from operations	**79,980**	77,467

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

At 31 March 2016 the immediate parent undertaking of Turnstone Equityco 1 Limited was CEP III IHP S.a.r.l., a company registered in Luxembourg.

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

At 31 March 2016 and throughout the year, the ultimate controlling party of Turnstone Equityco 1 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR, 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	**(92,662)**	-	-	-	-	(1,043)	(366)	-	**(94,071)**
Finance income	**107**	-	-	-	-	-	-	-	**107**
Finance income	**(92,555)**	-	-	-	-	(1,043)	(366)	-	**(93,964)**
Loss before income tax	**(73,943)**	9,290	(3,921)	(669)	-	(1,029)	(185)	890	**(69,567)**
Income tax (charge)/credit	**(621)**	-	-	-	3,502	-	-	-	**2,881**
Loss for the year	**(74,564)**	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	**(66,686)**
Attributable to:									
Owners of the parent	**(74,479)**	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	**(66,601)**
Non-controlling interests	**(85)**	-	-	-	-	-	-	-	**(85)**
	(74,564)	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	**(66,686)**

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	**35,374**	(96)	-	-	-	-	-	-	(3,966)	**31,312**
Current income tax	**135**	-	-	-	-	-	-	-	-	**135**
Derivative financial instruments	**-**	-	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	**6,950**	-	-	-	-	-	-	-	-	**6,950**
	50,032	(201)	-	-	-	-	-	-	(3,966)	**45,865**
Assets classified as held for sale	**-**	-	-	7,754	-	-	-	-	-	**7,754**
Total assets	**757,651**	25,725	(12,116)	194	82,989	-	(973)	637	-	**854,107**
Equity attributable to the owners of the parent										
Share capital	**30**	-	-	-	-	-	-	-	-	**30**
Share premium	**1,961**	-	-	-	-	-	-	-	-	**1,961**
Accumulated losses	**(184,323)**	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	-	**(145,089)**
	(182,332)	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	-	**(143,098)**
Non-controlling interest	**(34)**	-	-	-	-	-	-	-	-	**(34)**
Total equity	**(182,366)**	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	-	**(143,132)**

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	**858,677**	-	-	-	-	-	-	-	-	**858,677**
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**
	874,772	(161)	-	-	54,603	2,060	(720)	-	(1,939)	**928,615**
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	**940,017**	389	-	-	54,603	2,060	(720)	890	-	**997,239**
Total equity and liabilities	**757,651**	25,725	(12,116)	194	82,989	-	(973)	637	-	**854,107**

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	**44,475**	-	-	-	-	-	-	-	(2,462)	**42,013**
Current income tax	**550**	-	-	-	-	-	-	-	-	**550**
Derivative financial instruments	**-**	-	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	**29,241**	-	-	-	-	-	-	-	-	**29,241**
	96,492	-	-	-	-	-	-	-	(2,462)	**94,030**
Assets classified as held for sale	**-**	-	-	1,979	-	-	-	-	-	**1,979**
Total assets	**871,642**	34,627	(16,037)	(475)	86,756	57	(3,098)	637	-	**974,109**
Equity attributable to the owners of the parent										
Share capital	**30**	-	-	-	-	-	-	-	-	**30**
Share premium	**1,971**	-	-	-	-	-	-	-	-	**1,971**
Accumulated losses	**(259,142)**	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	**(212,030)**
	(257,141)	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	**(210,029)**
Non-controlling interest	**(119)**	-	-	-	-	-	-	-	-	**(119)**
Total equity	**(257,260)**	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	**(210,148)**

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	**1,025,034**	-	-	-	-	-	-	-	-	**1,025,034**
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**
	1,042,054	-	-	-	54,868	3,103	(2,659)	-	(143)	**1,097,223**
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	**1,128,902**	-	-	-	54,868	3,146	(2,659)	-	-	**1,184,257**
Total equity and liabilities	**871,642**	34,627	(16,037)	(475)	86,756	57	(3,098)	637	-	**974,109**