The Plains Dental Practice Limited

Directors' report and financial statements
Registered number 06455788
30 April 2009

Contents

Directors' report

The directors present the annual report and the audited financial statements of The Plains Dental Practice Limited for the year ended 30 April 2009.

Principal activities

The principal activity of the company during the year was the provision of dental services.

Business review

Review of the development and performance of the company

As with the majority of dental practices in the UK, the company offers a mixture of NHS and private treatment to patients.

The directors believe that the company continues to be well positioned to take advantage of further opportunities within the market and that the company will continue to grow in the forthcoming year.

Financial review

The majority of the company's revenue was derived from a fixed income contract with the local NHS Primary Care Trust. In addition the company had a variable income stream based on treatments provided to patients under private contract. The fixed income nature of the contract provides the company with stability and visibility over its revenue and profit streams.

Turnover for the year was £1,115,476 (5 months ending April 2008: £87,181). Operating profit for the year was £212,870 (5 months ending April 2008: £22,498). The profit on ordinary activities after taxation was £209,243 (5 months ending April 2008: £22,125).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is the key indicator for the company's stakeholders. In the year EBITDA was £304,859 (5 months ending April 2008: £29,006).

Principal risks and uncertainties

The company's risks and uncertainties are integrated with the principal risks and uncertainties of the Group. Accordingly, the principal risks and uncertainties of Pearl Topco Limited, which includes those of the company, are discussed in the Directors' report in the financial statements of Pearl Topco Limited which does not form part of this report.

Key performance indicators

As noted above, one of the key performance indicators ("KPI's") which the directors and other stakeholders monitor is EBITDA. This is reviewed in absolute terms and in relation to budgeted and prior year comparatives.

Other KPI's used by the company include the following:

- Staff retention percentages
- Dentist retention percentages
- NHS activity performance against target

The directors consider these ratios to be commercially sensitive, and as a consequence details are not disclosed within this report.

Proposed dividend

The directors do not recommend the payment of dividend for the year *(2008: £Nil).*

Directors and directors' interests

The directors who held office during the year were as follows:

D Hudaly
D Robinson
J Weir

The directors benefitted from qualifying third party indemnification provisions in place during the financial year and to the date of this report.

Political and charitable contributions

The company made no political or charitable contributions during the year *(2008: £Nil)*.

Risk management and financial instruments

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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

Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The nature of the company's contract with the PCT means that credit risk is minimised for a significant proportion of the company's revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the company. Payment is also requested in advance for major courses of private treatment.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 incurring unacceptable losses or risking damage to the company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the company's income.

The company has limited currency risk as all operations are carried out in the United Kingdom and all income and expenses are denominated in Sterling. However, as materials are sourced by suppliers internationally, the company is indirectly exposed to currency risk as suppliers adjust their UK price lists for changes in international material prices. This risk is managed through competitive tendering for the Group's significant supply contracts.

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.

Auditors

KPMG LLP resigned as auditors during the year and PricewaterhouseCoopers LLP were appointed to fill the vacancy.

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.

By order of the Board

A Morris
Company Secretary
29 January 2010

Integrated Dental House
Sunset Business Park
Manchester Road
Kearsley BL4 8RH

Statement of directors' responsibilities

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period.

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 UK Accounting Standards 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of The Plains Dental Practice Limited

We have audited the financial statements of The Plains Dental Practice Limited for the year ended 30 April 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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 Sections 495 and 496 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.

Scope of the audit of the financial statements

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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Martin Heath

Martin Heath (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 January 2010

Profit and loss account
for the year ended 30 April 2009

	Note	12 months ended 30 April 2009 £	5 months ended 30 April 2008 £
Turnover		**1,115,476**	87,181
Cost of sales		**(477,512)**	(35,833)
Gross profit		**637,964**	51,348
Administrative expenses		**(425,094)**	(28,850)
Operating profit	*3*	**212,870**	22,498
Tax on profit on ordinary activities	*6*	**(3,627)**	(373)
Profit for the financial period	*15*	**209,243**	22,125

All activities are derived from continuing operations.

The company has no material recognised gains and losses during the year other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

There were no differences between the historical cost profit and losses and the figures noted in the profit and loss account.

Balance sheet
at 30 April 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Intangible assets	7		1,468,172		1,555,406
Tangible assets	8		140,824		73,945
			1,608,996		1,629,351
Current assets					
Stocks	9	28,063		1,500	
Debtors	10	41,938		80,896	
		70,001		82,396	
Creditors: amounts falling due within one year	11	(47,633)		(60,033)	
Net current assets			22,368		22,363
Total assets less current liabilities			1,631,364		1,651,714
Creditors: amounts falling due after more than one year	12		(1,395,896)		(1,629,116)
Provisions for liabilities	13		(4,000)		(373)
Net assets			231,468		22,225
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account	15		231,368		22,125
Total shareholders' funds	16		231,468		22,225

These notes on pages 8 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 29 January 2010 and were signed on its behalf by:

D Robinson
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006.

The company is a wholly owned subsidiary of Pearl Topco Limited and is included in the consolidated financial statements of Pearl Topco Limited, which are publicly available.

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Pearl Topco Limited group of companies.

A summary of the more important accounting policies is set out below.

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided to the extent that the company has obtained the right to consideration. NHS turnover is recognised based on the volume of dental activity delivered in the contract period. Turnover from private dental work is recognised on the completion of each piece of treatment carried out, with the exception of orthodontic treatment which is recognised based on the stage of the completion reached during the course of treatment.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, which is 20 years. The carrying value of capitalised goodwill is reviewed for potential impairment each year.

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset less expected residual value over its expected useful life as follows:

Fittings and equipment	-	4-10 years

Where the residual value of an asset is material it is reviewed at the end of each reporting period, to ensure that it has been depreciated on an appropriate basis.

Impairments of fixed assets and goodwill

Impairment write downs are recognised in the profit and loss account when the book value of the asset is higher than the higher of the net realisable value of the asset or the value in use.

The value in use of assets is calculated using discounted forecast cash flows linked to the asset or income generating unit.

Stock

Stock is stated at the lower of cost and net realisable value. In the case of raw materials and consumables, cost includes purchase price less trade discounts, transport and handling costs, calculated on a first in first out basis. Provision is made for obsolete, slow moving and defective stock.

Notes *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Government grants

Grants received to assist with the purchase of tangible fixed assets are credited to deferred income and are amortised over a period to match the life of the asset acquired. Revenue grants are recognised in the profit and loss account in the period in which they are received.

Notes *(continued)*

2 Segmental analysis

The pre-tax profit and net assets of the company relate to its principal activity of the operation of a dental practice. All services are provided in the United Kingdom.

3 Operating profit

	12 months ended 30 April 2009 £	5 months ended 30 April 2008 £
Operating profit is stated after charging:		
Depreciation – owned assets	**14,416**	-
Amortisation of goodwill	**77,573**	6,508
Operating leases – other	**32,082**	500
Auditors' remuneration:		
Amounts receivable by the auditors and their associates in respect of:		
Fees payable for the audit	**2,500**	2,000

4 Employees

The average monthly number of employees, excluding directors, during the year was:

	No of employees 12 months ended 30 April 2009	No of employees 5 months ended 30 April 2008
Administration staff	**1**	4
Surgery staff	**13**	11
	14	15

Staff costs for the above persons:

	12 months ended 30 April 2009 £	5 months ended 30 April 2008 £
Wages and salaries	**188,220**	15,152
Social security costs	**13,691**	1,037
	201,911	16,189

5 Directors' remuneration

The directors received no emoluments from the company for their services. The emoluments received as a director of the holding company are disclosed in the consolidated financial statements of Pearl Topco Limited for David Hudaly. The emoluments received as directors of a group trading company are disclosed in the financial statements of Petrie Tucker and Partners Limited for D Robinson and J Weir.

Notes *(continued)*

6 Taxation

a) Analysis of charge for the year

	12 months ended 30 April 2009 £	5 months ended 30 April 2008 £
Current tax		
Corporation tax at 28% (2008: 30%)	**-**	-
Total current tax charge for the year (note 6(b))	**-**	-
Deferred tax		
Deferred tax charge in the year	**3,734**	373
Adjustment for prior periods	**(107)**	-
Tax on profit on ordinary activities	**3,627**	373

b) Factors affecting the tax charge for the year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	12 months ended 30 April 2009 £	5 months ended 30 April 2008 £
Profit on ordinary activities before taxation	**212,870**	22,498
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	**59,604**	6,299
Effects of:		
Expenses not deductible for tax purposes	**404**	1,400
Capital allowances in excess of depreciation and amortisation	**(3,734)**	(373)
Goodwill amortisation	**21,720**	1,822
Group relief claimed for nil consideration	**(77,994)**	(9,149)
Current tax charge for the year (note 6(a))	**-**	-

Notes *(continued)*

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 May 2008	1,561,914
Adjustment to fair value on acquisition	(9,661)
At 30 April 2009	**1,552,253**
Amortisation	
At 1 May 2008	6,508
Charge for the year	77,573
At 30 April 2009	**84,081**
Net book value	
At 30 April 2009	**1,468,172**
At 1 May 2008	1,555,406

During the year, adjustments to the goodwill were made for an increase in the fair value of stock of £23,274 following a detailed stock count and for additional professional fees relating to the acquisition of £13,613.

8 Tangible Fixed Assets

	Fittings and Equipment £
Cost	
At 1 May 2008	73,945
Additions	81,295
At 30 April 2009	**155,240**
Depreciation	
At 1 May 2008	-
Charge for the year	14,416
At 30 April 2009	**14,416**
Net book value	
At 30 April 2009	**140,824**
At 1 May 2008	73,945

Notes *(continued)*

9 Stock

	2009 £	2008 £
Raw materials	**28,063**	1,500

10 Debtors

	2009 £	2008 £
Prepayments and accrued income	**41,350**	80,896
Amounts due from group undertakings	**588**	-
	41,938	80,896

Amounts owed by group undertakings are unsecured and are not subject to an interest charge.

11 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	**11,195**	29,733
Accruals and deferred income	**36,438**	30,300
	47,633	60,033

12 Creditors: amounts falling after more than one year

	2009 £	2008 £
Amounts owing to group undertakings	**1,395,896**	1,629,116

Amounts owed to group undertakings are unsecured and are subject to no interest charge.

Notes *(continued)*

13 Provision for liabilities

	Deferred Taxation £
At beginning of year	373
Charge to the profit and loss for the year	
Accelerated capital allowances	3,627
	4,000

The elements of deferred taxation are as follows:

	2009 £	2008 £
Accelerated capital allowances	**4,000**	373

14 Called up share capital

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1	**1,000**	1,000
Allotted, called up and fully paid		
100 ordinary shares of £1	**100**	100

15 Reserves

	Profit and loss account 2009 £	Profit and loss account 2008 £
At beginning of the year	**22,125**	-
Profit for the year	**209,243**	22,125
At end of the year	**231,368**	22,125

Notes *(continued)*

16 Reconciliation of movement in shareholders' funds

	2009	2008
	£	£
Profit for the year	**209,243**	22,125
Share issue	**-**	100
Net increase in shareholders' funds	**209,243**	22,225
Opening shareholders' funds	**22,225**	-
Closing shareholders' funds	**231,468**	22,225

17 Commitments under operating leases

At 30 April, the company had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£	£
Land and buildings:		
Expiring after five years	**30,000**	12,000

18 Contingent liabilities

Bank guarantee

The company is a member of a group banking arrangement and has given an unlimited cross guarantee on the bank overdraft facilities and term loan for the Group. At 30 April 2009 this amounted to £188,701,000 *(2008: £174,800,000).*

19 Parent undertaking

The immediate parent undertaking is IDH Acquisitions Limited.

The results of the company are consolidated in the financial statements of Pearl Topco Limited, a company incorporated in England. The consolidated financial statements of Pearl Topco Limited are publicly available and may be obtained from Pearl Topco Limited, Integrated Dental House, Sunset Business Park, Manchester Road, Kearsley, Bolton, BL4 8RH.

Pearl Topco Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The immediate parent undertaking of Pearl Topco Limited is Pearl Cayman 2 Limited, a company registered in the Cayman Islands.

The ultimate controlling party is considered by the Directors to be Bank of America Corporation, following the acquisition of Merrill Lynch & Co, Inc on 1 January 2009. Bank of America Merrill Lynch Capital Partners is the major investor in Pearl Cayman 1 Limited, the parent undertaking of Pearl Cayman 2 Limited.