

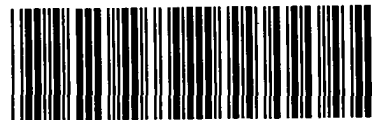
# **Turnstone Midco 1 Limited**

Annual report and financial statements

Registered number 07496752

Year ended 31 March 2014

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## Strategic report for the year ended 31 March 2014

The directors present the strategic report for the year ended 31 March 2014.

### Principal activities

The principal activity of the company is to act as an investment holding company.

### Business review

#### *Review of the development and performance of the company*

The company is a member of the group of companies headed by Turnstone Equityco 1 Limited ("the group"). The principal activity of the group is the operation of dental practices.

The group owns and manages a national chain of dental practices, with 585 sites as at 31 March 2014 (2013: 532). 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 85% of its revenue coming from NHS contracts, the group is the largest provider of NHS dentistry in the UK.

The main trading entities of the group are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited (formerly ADP Dental Company Limited). The business has grown during the year through a mixture of corporate and practice acquisitions and through organic expansion.

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

The group provides a range of NHS and private dental services from practices located in England, Wales and Scotland.

#### *Strategy and future outlook*

The company is expected to remain an investment holding company in the forthcoming year.

#### *Financial review*

The operating loss for the year was £3,000 (2013: £3,000). The loss on ordinary activities after taxation for the year was £41,521,000 (2013: £215,000).

On 30 May 2013, the company subscribed for 410,961,476 £1 ordinary shares in Turnstone Midco 2 Limited in exchange for £410,961,476 of the outstanding loan amount (including accrued interest) due from Turnstone Midco 2 Limited at that date. The remaining £50,000,000 due at 30 May 2013 was settled in cash by Turnstone Midco 2 Limited on the same date.

The £50,000,000 received from Turnstone Midco 2 Limited was used to repay £49,500,000 of the outstanding loan notes (including accrued interest) and £500,000 of outstanding preference share dividends.

#### *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 Turnstone Equityco 1 Limited, which includes those of the company, are discussed in the Strategic report in the financial statements of Turnstone Equityco 1 Limited which does not form part of this report.

The consolidated financial statements of Turnstone Equityco 1 Limited are publicly available and may be obtained from the Company Secretary, Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

By order of the Board



**WHM Robson**

Director

9 December 2014

## Directors' report for the year ended 31 March 2014

The directors present their report and the audited financial statements of Turnstone Midco 1 Limited for the year ended 31 March 2014.

### Proposed dividend

The directors do not recommend the payment of a dividend for the year (2013: £Nil).

### Future developments

Please refer to the strategy and future outlook section of the Strategic report for a description of future developments.

### Directors

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

J Bonnavion	
L Elson	(appointed 9 January 2014)
J Heathcote	(resigned 26 November 2013)
E Kump	
P Pindar	
WHM Robson	
T Scicluna	(appointed 29 November 2013)
R Smith	(resigned 30 November 2013)
A Stirling	

The directors benefitted from qualifying third party indemnification provisions in place 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 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 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 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.

### Political and charitable contributions

The company made no political or charitable contributions during the year (2013: £Nil).

## **Directors' report for the year ended 31 March 2014** *(continued)*

### **Post balance sheet events**

On 17 April 2014, The Dental Directory Limited (incorporated as Broomco (4270) Limited), a newly formed subsidiary of Turnstone Bidco 1 Limited, acquired the entire share capital of HM Logistics Limited, also known as The Dental Directory Group.

On 9 May 2014, IDH Finance Plc, a wholly owned subsidiary of Turnstone Equityco 1 Limited, raised £100 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the Super Senior Revolving Credit Facility and for general corporate purposes.

### **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 as auditors will be proposed at the annual general meeting.

By order of the Board



**WHM Robson**  
*Director*  
9 December 2014

Europa House  
Stoneclough Road  
Kearsley  
Manchester  
M26 1GG

## **Independent auditors' report to the members of Turnstone Midco 1 Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by Turnstone Midco 1 Limited, comprise:

- the profit and loss account for the year then ended;
- the balance sheet as at 31 March 2014; 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 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.

In addition, we read all the financial and non-financial information in the Annual report and financial statements (the "Annual Report") 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and 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, 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.

We have no exceptions to report arising from this responsibility.

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

### **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.

### **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 2, 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 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.



**Martin Heath (Senior Statutory Auditor)**  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
9 December 2014

**Profit and loss account**  
*for the year ended 31 March 2014*

	<i>Note</i>	<b>2014 £'000</b>	<b>2013 £'000</b>
Administrative expenses		(3)	(3)
<b>Operating loss</b>	<b>3</b>	<b>(3)</b>	<b>(3)</b>
Interest receivable and similar income	5	8,339	46,874
Interest payable and similar charges	5	(49,857)	(47,086)
<b>Loss on ordinary activities before taxation</b>		<b>(41,521)</b>	<b>(215)</b>
Tax on loss on ordinary activities	6	-	-
<b>Loss for the financial year</b>	<b>12</b>	<b>(41,521)</b>	<b>(215)</b>

The notes on pages 8 to 14 form part of these financial statements.

All activities are derived from continuing operations.

The company has no material recognised gains and losses during the current or previous 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 31 March 2014*

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Investments	7	410,961	-
<b>Current assets</b>			
Debtors (includes £nil falling due after more than one year, 2013: £452,622,000)	8	120	463,341
Cash at bank and in hand		-	5,944
		<u>120</u>	<u>469,285</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(109)</u>	<u>(16,650)</u>
<b>Net current assets</b>		<u>11</u>	<u>452,635</u>
<b>Total assets less current liabilities</b>		<u>410,972</u>	<u>452,635</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(452,711)</u>	<u>(452,853)</u>
<b>Net liabilities</b>		<u>(41,739)</u>	<u>(218)</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	(41,739)	(218)
<b>Total shareholders' deficit</b>	13	<u>(41,739)</u>	<u>(218)</u>

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 9 December 2014 and were signed on its behalf by:



**WHM Robson**  
Director

## Notes to 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 financial statements have been prepared on the going concern basis due to the company having the continued support of its parent.

The company is a wholly owned subsidiary of Turnstone Equityco 1 Limited and is included in the consolidated financial statements of Turnstone Equityco 1 Limited, which are publicly available.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

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 paragraph 3(c) of FRS 8 'Related Party Disclosure' from disclosing related party transactions with entities that are part of the Turnstone Equityco 1 Limited group of companies.

A summary of the more important accounting policies, which have been applied on a consistent basis with the previous year, is set out below.

#### *Investments*

Investments held as fixed assets are stated at cost less amounts written off for impairment.

#### *Impairment of investments*

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.

#### *Taxation*

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

#### *Preference shares*

Preference shares which are redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as an interest expense.

## Notes to the financial statements *(continued)*

### 2 Segmental analysis

The pre-tax loss and net liabilities of the company relate to its principal activity of investment holding. All services are provided in the United Kingdom.

### 3 Operating loss

	2014 £'000	2013 £'000
<i>Operating loss is stated after charging:</i>		
<i>Auditors' remuneration:</i>		
Amounts receivable by the auditors and their associates in respect of:		
Fees payable for the audit of the financial statements	3	3

### 4 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2013: £Nil). The emoluments received as a director of the parent company are disclosed in the financial statements of Turnstone Equityco 1 Limited for WHM Robson, T Scicluna and R Smith.

The company has no employees (2013: Nil).

### 5 Interest and similar items

	2014 £'000	2013 £'000
<i>Interest payable and similar charges</i>		
Loan note interest	(46,105)	(43,553)
Preference share dividends	(3,476)	(3,130)
Interest payable on loan from parent	(276)	(403)
Total interest payable and similar charges	(49,857)	(47,086)
<i>Interest receivable and similar income</i>		
Interest receivable on loan to subsidiary undertaking	8,339	46,874
Net interest payable and similar charges	(41,518)	(212)

## Notes to the financial statements *(continued)*

### 6 Tax on loss on ordinary activities

#### a) Analysis of tax charge for the financial year

	2014 £'000	2013 £'000
<b>Current tax</b>		
Corporation tax at 23% (2013: 24%)	-	-
	<hr/>	<hr/>
Total current tax charge for the year (note 6(b))	-	-
	<hr/>	<hr/>

#### b) Factors affecting the tax charge for the financial year

The current tax charge for the year is higher (2013: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013: 24%). The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	(41,521)	(215)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	(9,550)	(52)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10,072	6,860
Group relief claimed for nil payment	(522)	(6,808)
	<hr/>	<hr/>
Current tax charge for the year (note 6(a))	-	-
	<hr/>	<hr/>

#### Factors affecting current and future tax charges

The main rate of corporation tax was reduced from 24% to 23% from 1 April 2013. Further reductions to 21% from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted in the Finance Act 2013.

## Notes to the financial statements *(continued)*

### 7 Investments

	Shares in subsidiary £'000
<b>Cost</b>	
At 1 April 2013	-
Additions	410,961
	<hr/>
At 31 March 2014	<b>410,961</b>
	<hr/>

The company owns 100% of its immediate subsidiary undertaking, Turnstone Midco 2 Limited. The cost and book value of its investment is £410,961,479 (2013: £3). Turnstone Midco 2 Limited acts as an investment holding company.

On 30 May 2013, the company subscribed for 410,961,476 £1 ordinary shares in Turnstone Midco 2 Limited in exchange for £410,961,476 of the outstanding loan amount (including accrued interest) due from Turnstone Midco 2 Limited at that date (see also note 8).

### 8 Debtors

	2014 £'000	2013 £'000
<b><i>Amounts falling due after more than one year</i></b>		
Amounts owed by group undertakings	-	452,622
	<hr/>	<hr/>
<b><i>Amounts falling due within one year</i></b>		
Amounts owed by group undertakings	-	10,699
Amounts owed by related undertakings	20	20
Loan to a director	100	-
	<hr/>	<hr/>
	<b>120</b>	<b>10,719</b>
	<hr/>	<hr/>
	<b>120</b>	<b>463,341</b>
	<hr/>	<hr/>

The amounts owed by group undertakings falling due after more than one year are unsecured and are subject to an interest charge ranging between 12% and 15% per annum. The amount receivable at 31 March 2013 includes accrued interest of £84.1 million. On 30 May 2013, the company subscribed for 410,961,476 £1 ordinary shares in Turnstone Midco 2 Limited in exchange for £410,961,476 of the outstanding loan amount (including accrued interest) due from Turnstone Midco 2 Limited at that date (see also note 7). The remaining £50,000,000 due at 30 May 2013 was settled in cash by Turnstone Midco 2 Limited on the same date.

Amounts owed by group undertakings falling due within one year are unsecured and not subject to an interest charge.

The amounts owed by related undertakings reflect a loan made by the company to Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited, the company's parent, on behalf of group management.

On 9 December 2013, the company loaned an amount of £100,000 to T Scicluna. Interest is charged at the published HMRC rate applicable to 'beneficial loan arrangements'. On 9 June 2014, the loan, including accrued interest, was settled in full.

## Notes to the financial statements *(continued)*

### 9 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	109	16,650

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

### 10 Creditors: amounts falling after more than one year

	2014 £'000	2013 £'000
Loan notes	417,883	421,279
Preference shares classified as liabilities	32,259	29,282
Amounts owed to group undertakings	2,569	2,292
	<u>452,711</u>	<u>452,853</u>

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 principle 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. During the year, £17.32 million of accrued interest was settled. At 31 March 2014, interest of £103.38 million was accrued on these notes (2013: £75.26 million).

On 31 August 2011, £7.00 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 15% per annum. The notes were redeemed in full, in conjunction with accrued interest of £1.96 million, on 30 May 2013.

On 9 November 2012, £15.31 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 12% per annum. The notes were redeemed in full, in conjunction with accrued interest of £1.02 million, on 30 May 2013.

On 30 November 2012, £0.69 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 12% per annum. The notes were redeemed in full, in conjunction with accrued interest of £0.04 million, on 30 May 2013.

On 25 March 2013, £6.00 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 15% per annum. The notes were redeemed in full, in conjunction with accrued interest of £0.17m, on 30 May 2013.

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. During the year, £0.50 million of accrued dividends were paid. At 31 March 2014, 23,627,422 £1 preference shares were in issue (2013: 23,627,422). Preference share dividends of £8.63 million were accrued at 31 March 2014 (2013: £5.65 million).

### 11 Called up share capital

	2014 £'000	2013 £'000
<i>Authorised, called up and fully paid</i>		
3 ordinary shares of £1	-	-

## Notes to the financial statements *(continued)*

### 12 Profit and loss account

	2014 £'000	2013 £'000
At the beginning of the financial year	(218)	(3)
Loss for the financial year	(41,521)	(215)
<b>At the end of the financial year</b>	<b>(41,739)</b>	<b>(218)</b>

### 13 Reconciliation of movements in shareholders' deficit

	2014 £'000	2013 £'000
Loss for the financial year	(41,521)	(215)
Net increase in shareholders' deficit	(41,521)	(215)
Opening shareholders' deficit	(218)	(3)
<b>Closing shareholders' deficit</b>	<b>(41,739)</b>	<b>(218)</b>

### 14 Related party transactions

#### Director's loan

On 9 December 2013, the company loaned an amount of £100,000 to T Scicluna. Interest is charged at the published HMRC rate applicable to 'beneficial loan arrangements'. On 9 June 2014, the loan, including accrued interest, was settled in full.

#### 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 (2013: £277.05 million). During the year to 31 March 2014, interest of £37.43 million was accrued (2013: £35.22 million), and principal of £22.10 million and accrued interest of £15.63 million was settled. The total amount of accrued interest due at 31 March 2014 is £84.72 million (2013: £62.92 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 (2013: £66.46 million). During the year to 31 March 2014, interest of £8.68 million was accrued (2013: £8.34 million) and principal of £6.90 million and accrued interest of £4.88 million was settled. The total amount of accrued interest due at 31 March 2014 is £18.65 million (2013: £14.85 million).

ADP Primary Care Acquisitions Limited also holds preference shares in the company with a par value of £20.00 million (2013: £20.00 million). During the year to 31 March 2014, dividends of £2.98 million were accrued (2013: £2.65 million). The total amount of accrued dividends due at 31 March 2014 is £7.77 million (2013: £4.79 million).

## Notes to the financial statements *(continued)*

### 15 Controlling party

The immediate parent undertaking is Turnstone Equityco 1 Limited.

The results of the company are consolidated in the financial statements of Turnstone Equityco 1 Limited, a company incorporated in England. The consolidated financial statements of Turnstone Equityco 1 Limited are publicly available and may be obtained from Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

Turnstone Equityco 1 Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The ultimate controlling party is considered by the Directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group. CEP III Participations S.a.r.l. SICAR is the controlling party of Turnstone Equityco 1 Limited.

### 16 Subsequent events

On 17 April 2014, The Dental Directory Limited, a newly formed subsidiary of Turnstone Bidco 1 Limited, acquired the entire share capital of HM Logistics Limited, also known as The Dental Directory Group.

On 9 May 2014, IDH Finance Plc, a wholly owned subsidiary of Turnstone Equityco 1 Limited, raised £100 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the Super Senior Revolving Credit Facility and for general corporate purposes.