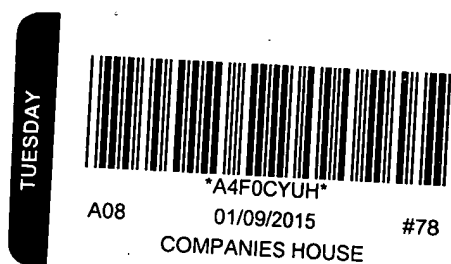


Turnstone Equityco 1 Limited
Annual report and consolidated financial
statements

Registered number 07496756
Year ended 31 March 2015



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Strategic report for the year ended 31 March 2015

The directors present the Strategic report for the year ended 31 March 2015.

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 located in England, Wales and Scotland 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 2015, senior managers of the group held 15.9% of the equity interest in the company (2014: 15.5%).

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

On 17 April 2014, The Dental Directory Limited (formerly Broomco (4270) Limited), a newly incorporated subsidiary of Turnstone Bidco 1 Limited, acquired 100% of the issued share capital of the HM Logistics Limited group of companies (together 'The Dental Directory'). Following this acquisition, the group is organised into two distinct business units.

Patient services

Through its patient services division, the group owns and manages a national chain of dental practices, with 644 sites at 31 March 2015 (2014: 585). 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 70% of group revenue coming from NHS contracts (2014: 85%), the group is the largest provider of NHS dentistry in the UK.

The 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 and through organic expansion. During the year to 31 March 2015, the group acquired 66 practices, opened 1 greenfield site, and merged 8 existing practices.

The group's revenue during the year was principally derived from long-term fixed value contracts with NHS Local Area Teams ("LATs"). 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 group has variable income streams based on treatment provided to patients under private contract and to NHS patients in Scotland.

During the year, the group commenced the process of branding the practice estate under the trading name 'mydentist'. The roll-out of the new brand had been completed across 102 practices at 31 March 2015, with the majority of the remaining practices planned for conversion during the financial year ending 31 March 2016.

Strategic report for the year ended 31 March 2015 *(continued)*

Business review *(continued)*

Practice services

The group's practice services division, which principally comprises the Dental Buying Group (acquired on 16 April 2013) 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. The principal trading entities of the practice services division are Billericay Dental Supply Co. Limited and DBG (UK) Limited.

Consolidated profit and loss account

Turnover for the year ended 31 March 2015 amounted to £534.2 million (2014: £407.5 million) and profit on ordinary activities before interest and taxation was £18.6 million (2014: £18.1 million).

After charging goodwill amortisation of £38.6 million (2014: £34.0 million), depreciation of £17.0 million (2014: £13.6 million) and crediting the amortisation of grant income of £0.3 million (2014: £0.5 million), earnings before interest, tax and exceptional items ('EBIT before exceptional items') was £21.5 million (2014: £20.7 million).

The group's key profit performance indicator is earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA before exceptional items'). For the year ended 31 March 2015 EBITDA before exceptional items was £76.8 million (2014: £67.8 million).

Finance expenses of £92.7 million (2014: £95.5 million) and the profit of £1.4 million principally arising from the sale and leaseback of 43 freehold dental practices (2014: loss of £0.4 million arising principally from the disposal of one dental practice and the sale and leaseback of three freehold dental practices) results in a loss on ordinary activities before tax of £73.9 million (2014: £77.3 million). The loss on ordinary activities after tax for the year amounts to £74.6 million (2014: £75.3 million).

Consolidated balance sheet

Goodwill and intangible assets amount to £675.0 million (2014: £614.8 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 over the past four years and of the Dental Buying Group and The Dental Directory. Tangible assets of £91.4 million (2014: £83.3 million) include £24.7 million (2014: £24.5 million) of additions during the year resulting from upgrades to the group's dental practices, equipment and facilities.

On 30 May 2013, the group re-financed its existing debt and raised £400.0 million through the issue of £200.0 million of senior secured fixed rate notes, £125.0 million of senior secured floating rate notes and £75.0 million of second lien notes. On the same date, the group also entered into an agreement with a syndicate of banks to provide a £100.0 million Super Senior Revolving Credit Facility ('SSRCF') to fund future acquisitions of dental practices. These facilities remained in place throughout the year ended 31 March 2015.

On 9 May 2014, the group raised a further £100.0 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the SSRCF and for general corporate purposes.

At 31 March 2015, borrowings amounted to £1,025.0 million (2014: £858.7 million). This comprises £520.8 million (2014: £408.5 million) of senior borrowings including the senior secured, floating rate and second lien notes in addition to amounts drawn under the SSRCF of £30.5 million (2014: £22.0 million), net of unamortised arrangement fees. The remaining borrowings comprise £468.1 million (2014: £417.9 million) of 12% loan notes; and £36.1 million (2014: £32.3 million) of preference shares, including interest and accrued dividends of £166.0 million (2014: £112.0 million).

Consolidated cash flow statement

The net cash inflow from operating activities of £81.4 million (2014: £54.7 million) reflects the strong cash generation properties of the group.

After the servicing of external finance costs and the cash flows associated with the acquisition of further practices and of The Dental Directory during the year, the closing cash balance was £29.2 million (2014: £6.9 million). The balance at 31 March 2015 includes approximately £6.7 million used to finance acquisitions during the first half of April 2015 and also partly reflects additional cash retained in the practice services division to finance short term working capital requirements.

Subsequent events

In addition, to the date of this report, the group has acquired a further five dental practices.

Strategic report for the year ended 31 March 2015 *(continued)*

Principal risks & uncertainties

Regulatory risks

The results of the group are impacted by the regulatory environment related to health and safety, quality of care, the storage and distribution of controlled drugs and medicines 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.

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 will be participating in the recently announced prototype trial process commencing in October 2015 to ensure that the business is well prepared for any future changes.

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 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 group has continued to invest in its own training resource, the mydentist Academy, which opened in May 2013 together with an 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 risks and adherence to limits. 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 patient services division's contracts with LATs 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 with a minimum credit rating of BBB+ (Standard and Poor's or Fitch); or Baal (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 cashflow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. The group's bank facilities and other borrowings are disclosed in note 17 of the financial statements.

Strategic report for the year ended 31 March 2015 (continued)

Financial risk management (continued)

Market risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income. 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. With the fixed rate nature of a further £275 million of the group's senior secured and second lien notes, interest charges are therefore fixed in respect of 75% of the group's total drawn debt (2014: 95%). Further details are set out in note 17.

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.

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.

Financial KPIs				
Year ended 31 March	2015		2014	
	£m	% turnover	£m	% turnover
NHS turnover	373	69.8%	346	84.9%
Private turnover	69	13.0%	54	13.4%
Practice services turnover	92	17.2%	8	1.7%
Total turnover	534	100.0%	408	100.0%
Gross profit	239	44.8%	197	48.3%
EBITDA before exceptional items	77	14.4%	68	16.6%
Operating profit	17	3.2%	19	4.6%
Net bank and bond debt	521		409	
Net cash inflow from operating activities	81		55	
Net cash inflow after returns on investment & servicing of finance (excluding issue costs of £15m in 2014)	46		29	
Year ended 31 March	2015		2014	
Like-for-like private turnover growth	12.2%		8.6%	
£/UDA annual contract uplift	1.6%		1.5%	
Administrative expenses as a percentage of turnover	30.8%		32.0%	
Number of practices	644		585	
Employees (average number)	6,710		5,622	
UDA delivery (% of total contract)	95.8%		96.7%	
Total UDAs delivered (million)	12.7		12.3	
Total UOAs delivered (million)	0.5		0.4	

- (1) UDA – Units of Dental Activity, measures set by the LAT as part of the contract terms.
- (2) UOA – Units of Orthodontic Activity, measures set by the LAT as part of the contract terms.
- (3) Employees – excluding self-employed dentists.
- (4) Administrative expenses as a percentage of turnover excludes depreciation, amortisation and exceptional items.

Strategic report for the year ended 31 March 2015 *(continued)*

Future outlook & strategy

Whilst the market continues to be challenging for dentistry in the UK, with the 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;
- 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 new practice acquisitions; and
- using the size of our portfolio and systems to procure materials and services more efficiently and effectively.



WHM Robson
Director
28 May 2015

Directors' report for the year ended 31 March 2015

The directors present their report and the audited consolidated financial statements of Turnstone Equityco 1 Limited for the year ended 31 March 2015.

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 (2014: £nil).

Directors

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

J Bonnavion
L Elson
E Kump
P Pindar
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 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 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 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 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 2015 *(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 £6,660 during the year (2014: £nil). The group made no political donations during the year (2014: £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.

Post balance sheet events

To the date of this report, the group has acquired a further five 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.

By order of the Board



WHM Robson
Director
28 May 2015

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 2015 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Turnstone Equityco 1 Limited's financial statements comprise:

- Consolidated balance sheet as at 31 March 2015;
- Company balance sheet as at 31 March 2015;
- Consolidated profit and loss account for the year then ended;
- Consolidated statement of total recognised gains and losses;
- Consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is 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.

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 6, 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.



Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 May 2015

Consolidated profit and loss account
for the year ended 31 March 2015

	Note	Acquisitions £'000	2015 Continuing operations £'000	Total £'000	2014 Total £'000
Turnover	2	102,311	431,933	534,244	407,511
Cost of sales		(71,501)	(223,376)	(294,877)	(210,849)
Gross profit		30,810	208,557	239,367	196,662
Other operating income		79	1,712	1,791	1,666
Administrative expenses		(28,836)	(195,062)	(223,898)	(179,756)
Operating profit	3	2,053	15,207	17,260	18,572
Analysed as					
EBITDA before exceptional items		9,607	67,157	76,764	67,777
Depreciation		(1,341)	(15,632)	(16,973)	(13,623)
Amortisation of goodwill		(5,436)	(33,182)	(38,618)	(33,989)
Amortisation of grant income		3	315	318	510
Service cost in respect of defined benefit pension scheme	25	-	(20)	(20)	-
Exceptional items - restructuring costs	3	(780)	(2,162)	(2,942)	(2,103)
Exceptional items - rebranding costs	3	-	(1,269)	(1,269)	-
Operating profit		2,053	15,207	17,260	18,572
Profit/(loss) on disposal of assets	6			1,352	(442)
Profit on ordinary activities before interest and taxation				18,612	18,130
Interest receivable and similar income	7			107	67
Interest payable and similar charges	7			(92,662)	(95,495)
Loss on ordinary activities before taxation				(73,943)	(77,298)
Tax on loss on ordinary activities	8			(621)	1,980
Loss on ordinary activities after taxation				(74,564)	(75,318)
Equity minority interests				85	(50)
Loss for the financial year	21			(74,479)	(75,368)

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

The notes on pages 15 to 44 form part of these financial statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2015

	<i>Note</i>	2015 £'000	2014 £'000
Loss for the financial year		(74,479)	(75,368)
Actuarial (loss)/gain in respect of defined benefit pension scheme	25	(570)	50
Unrecognised actuarial movement arising on defined benefit scheme in surplus to which the group has no recourse		-	(50)
Reversal of previously unrecognised defined benefit pension scheme asset	25	145	-
Deferred tax movement in respect of defined benefit pension scheme	14	85	-
Total recognised loss for the year		(74,819)	(75,368)

The notes on pages 15 to 44 form part of these financial statements.

Consolidated balance sheet
at 31 March 2015

	<i>Note</i>	2015	2014
		£'000	£'000
Fixed assets			
Intangible assets	10	675,039	614,834
Tangible assets	11	91,374	83,268
		766,413	698,102
Current assets			
Stock	13	22,226	7,573
Debtors	14	53,762	45,026
Cash at bank and in hand		29,241	6,950
		105,229	59,549
Total assets		871,642	757,651
Capital and reserves			
Called up share capital	19	30	30
Share premium account	20	1,971	1,961
Profit and loss account	21	(259,142)	(184,323)
Total shareholders' deficit	22	(257,141)	(182,332)
Minority interest		(119)	(34)
Total capital employed		(257,260)	(182,366)
Creditors: amounts falling due within one year	15	86,848	65,245
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	1,032,455	864,555
Provisions for liabilities and charges	18	9,268	10,217
Defined benefit pension scheme liability	25	331	-
		1,042,054	874,772
Total equity and liabilities		871,642	757,651

The notes on pages 15 to 44 form part of these financial statements.

The financial statements were approved by the Board of Directors on 28 May 2015 and were signed on its behalf by:



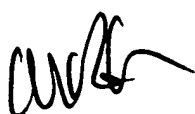
WHM Robson
Director

Company balance sheet
at 31 March 2015

	<i>Note</i>	2015	2014
		£'000	£'000
Fixed assets			
Investments	12	-	-
Current assets			
Debtors	14	2,889	2,675
Cash at bank and in hand		40	13
		<u>2,929</u>	<u>2,688</u>
Total assets		<u>2,929</u>	<u>2,688</u>
Capital and reserves			
Called up share capital	19	30	30
Share premium account	20	1,971	1,961
Profit and loss account	21	928	675
		<u>2,929</u>	<u>2,666</u>
Total shareholders' funds	22	2,929	2,666
Creditors: amounts falling due within one year	15	-	22
		<u>-</u>	<u>22</u>
Total equity and liabilities		<u>2,929</u>	<u>2,688</u>

The notes on pages 15 to 44 form part of these financial statements.

The financial statements were approved by the Board of Directors on 28 May 2015 and were signed on its behalf by:



WHM Robson
Director

Consolidated cash flow statement
for the year ended 31 March 2015

	<i>Note</i>	2015 £'000	2014 £'000
Net cash inflow from operating activities	26	81,388	54,666
Returns on investments and servicing of finance	27	(35,226)	(41,422)
Net cash inflow after returns on investment & servicing of finance		46,162	13,244
Taxation		(550)	245
Capital expenditure	27	(15,125)	(23,535)
Acquisitions and disposals	27	(117,956)	(93,554)
Net cash outflow before financing		(87,469)	(103,600)
Financing	27	109,760	68,034
Increase/(decrease) in cash in the financial year	29	22,291	(35,566)

The notes on pages 15 to 44 form part of these financial statements.

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.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings or dental practices acquired or disposed of in the financial year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Profits and losses on intragroup transactions have been eliminated on consolidation.

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.

Turnover

Turnover 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. Turnover derived from NHS contracts in England and Wales is recognised on the volume of dental activity delivered in the financial year. Turnover from all private dental work and NHS patients in Scotland is recognised on the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment.

Foreign currency transactions

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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, being the period over which the group expects to benefit from the assets acquired. The carrying value of goodwill is evaluated when there is an indicator of impairment. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

In calculating the goodwill, the total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is re-assessed annually and corresponding adjustment is made to the goodwill arising on acquisition.

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.

Investments

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

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 on a straight line basis as follows:

Freehold and long leasehold buildings	-	50 years
Leasehold improvements	-	Over the shorter of the term of the lease or the asset's useful life
Fixtures, fittings and equipment	-	4-10 years

Where the residual value of an asset is material it is reviewed at the end of each financial year, 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 (net realisable value is the price at which stocks can be sold after allowing for costs of realisation).

Dental practice consumables are valued at the weighted average purchase cost during the financial year. Average purchase cost is calculated to take account of any 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 stock.

Taxation

The charge for taxation is based on the results for the financial 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.

Cash

Cash for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Leases

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Pensions

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 profit and loss account in the accounting period to which they relate. 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 these schemes are held separately from those of the group in independently administered funds.

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 and are valued at market rate at each reporting date. Scheme liabilities are valued using the projected unit actuarial method and are discounted to present value using the current rate of return on a high quality corporate bond of equivalent currency and term to maturity. The service costs of the scheme are recognised in the profit and loss account in the accounting period to which they relate. The interest cost on scheme liabilities and the expected return on plan assets (together 'other finance income') are recognised within interest receivable in the profit and loss account. Actuarial gains or losses arising from differences between the actual and expected returns on plan assets and changes in assumptions underlying the present value of scheme liabilities are recognised in the consolidated statement of total recognised gains and losses.

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.

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 financial year in which they are received.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discount rate which reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as an interest expense.

Issue costs on bank loans and related fees

Issue costs related to bank loans are amortised over the term of the loan at a constant rate on the carrying amount.

Minority interests

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the group.

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 group operates within two distinct business units.

The patient services division provides a range of dental services to patients through the group's 644 dental practices located across the United Kingdom.

The practices services division was principally formed through the acquisitions of the DBG Topco Limited group of companies (together 'the Dental Buying Group' or 'DBG') on 16 April 2013; and the HM Logistics Limited group of companies (together 'The Dental Directory') on 17 April 2014. The practice services division provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division.

All services are provided in the United Kingdom.

	Turnover		Profit/(loss) before taxation	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Patient services	442,257	400,587	15,502	18,505
Practice services	111,558	12,109	3,228	377
Central eliminations	(19,571)	(5,185)	(1,470)	(310)
	<u>534,244</u>	<u>407,511</u>	<u>17,260</u>	<u>18,572</u>
Profit/(loss) on disposal of assets			1,352	(442)
Net interest payable and similar charges			(92,555)	(95,428)
Total			<u>(73,943)</u>	<u>(77,298)</u>

	Net assets/(liabilities)	
	2015 £'000	2014 £'000
Patient services	768,722	676,271
Practice services	832	350
Central eliminations	(1,780)	(310)
	<u>767,774</u>	<u>676,311</u>
Net debt (excluding liquid resources)	(1,025,034)	(858,677)
Total	<u>(257,260)</u>	<u>(182,366)</u>

Central eliminations principally relate to the sale of materials and equipment by practice services to patient services. The profit before taxation and net asset eliminations relate to unrealised profits generated by practice services from the sale of equipment held within tangible fixed assets by patient services and dental materials and consumables held within stock.

Notes to the financial statements (continued)

3 Operating profit

	Group 2015 £'000	Group 2014 £'000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation – owned assets	16,973	13,623
Amortisation of goodwill	38,618	33,989
Operating lease rentals: plant and machinery	1,151	862
Operating lease rentals: land and buildings	12,361	10,970
Other operating income	(1,791)	(1,666)
Amortisation of grant income	(318)	(510)
Exceptional items – restructuring costs	2,942	2,103
Exceptional items – rebranding	1,269	-

Other operating income

Additional income to assist in the upkeep of premises is received from Scottish health boards and is based on the proportion of NHS treatment carried out by a dental practice. Income is also received from property rentals.

Restructuring costs

Costs incurred during the years ended 31 March 2015 and 31 March 2014 principally relate to the restructuring of practice services division operations, redundancy payments to staff, costs associated with the review of strategic options and associated legal and professional fees.

Rebranding

Costs recognised during the year ended 31 March 2015 reflect the cost of rolling out the mydentist brand to the 102 dental practices completed at 31 March 2015 and includes expenditure on signage, decoration and uniforms.

Auditors' remuneration

During the year, the group obtained the following services from the company's auditors and their associates:

	2015 £'000	2014 £'000
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the company's auditors for the audit of the parent company and the consolidated financial statements	55	22
Fees payable to the company's auditors and their associates for other services:		
The audit of the company's subsidiaries	329	242
Other assurance services	-	25
	384	289

In addition, the following services were received from the company's auditor and its associates during the year.

	2015 £'000	2014 £'000
Amounts receivable by the auditors and their associates in respect of:		
Tax advisory services	40	32
Other advisory services	1,318	674
	1,358	706

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 advisory work conducted as part of the review of strategic options.

During the year ended 31 March 2014, other advisory services relate to financial and commercial due diligence carried out in respect of certain acquisitions and reporting and structuring advice in respect of the senior secured, floating rate and second lien notes issued by the group on 30 May 2013.

Notes to the financial statements *(continued)*

4 Employees

There were no persons employed by the company.

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

	Group 2015 No of employees	Group 2014 No of employees
<i>Business unit</i>		
Patient services - surgery staff	3,802	3,377
Patient services - administration staff	2,480	2,133
Practice services	428	112
	<hr/>	<hr/>
	6,710	5,622
	<hr/>	<hr/>

The staff costs of these persons were as follows:

	Group 2015 £'000	Group 2014 £'000
Wages and salaries	105,360	83,642
Social security costs	7,461	5,936
Other pension costs	796	342
	<hr/>	<hr/>
	113,617	89,920
	<hr/>	<hr/>

5 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2014: £nil).

	Group 2015 £'000	Group 2014 £'000
Directors' emoluments	1,115	978
Benefits in kind	33	29
Compensation for loss of office	-	458
	<hr/>	<hr/>
	1,148	1,465
	<hr/>	<hr/>

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 £594,000 (2014: £727,000), which included compensation for loss of office of £nil (2014: £458,000) and benefits in kind of £10,000 (2014: £7,000).

Notes to the financial statements (continued)

6 Profit/(loss) on disposal of assets

	Group 2015 £'000	Group 2014 £'000
Profit/(loss) on disposal of freehold properties	1,677	(281)
Loss on disposal/closure of practices	(9)	(163)
(Loss)/profit on disposal of other tangible fixed assets	(316)	2
	<u>1,352</u>	<u>(442)</u>

During the year, the group disposed of its freehold interest in 43 dental practices (2014: three) under sale and lease-back arrangements.

During the year ended 31 March 2014, the group disposed of one dental practice, resulting in a loss on disposal of £163,000. During the year ended 31 March 2015, the group incurred costs of £9,000 in respect of practices disposed of or closed in previous periods.

The loss on disposal of other tangible fixed assets principally arose from assets which were scrapped following the relocation of a small number of existing practices to new premises.

7 Interest and similar items

	Group 2015 £'000	Group 2014 £'000
<i>Interest payable and similar charges</i>		
Senior secured notes	(11,981)	(10,053)
Floating rate notes	(11,655)	(5,817)
Second lien notes	(6,365)	(5,340)
Bank loans and overdrafts	(692)	(2,982)
Fixed rate interest swap charges	(1,716)	(1,829)
Amortisation of issue costs of bank loans and related fees	(2,787)	(17,918)
Issue costs expensed in the year in respect of additional floating rate notes	(1,678)	-
Loan note interest	(50,180)	(46,105)
Preference share dividends	(3,872)	(3,476)
Other interest payable – unwinding of discount (note 18)	(270)	(291)
Syndicate charges	(1,466)	(1,684)
Total interest payable and similar charges	<u>(92,662)</u>	<u>(95,495)</u>
<i>Interest receivable and similar income</i>		
Bank deposit interest	76	67
Finance income in respect of defined benefit pension scheme (note 25)	31	-
Total interest receivable and similar income	<u>107</u>	<u>67</u>
Net interest payable and similar items	<u>(92,555)</u>	<u>(95,428)</u>

Notes to the financial statements *(continued)*

8 Tax on loss on ordinary activities

a) Analysis of tax charge/(credit) for the financial year

	Group 2015 £'000	Group 2014 £'000
Current tax		
Corporation tax at 21% (2014: 23%)	-	-
Total current tax charge for the year (note 8(b))	-	-
Deferred tax		
Deferred tax charge/(credit) in the year	42	(2,735)
Adjustment in respect of the previous year	579	(265)
Effect of change in tax rate	-	1,020
Total deferred tax charge/(credit) for the year	621	(1,980)
Tax charge/(credit) on loss on ordinary activities	621	(1,980)

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

The current tax charge for the financial year is higher (2014: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2015 of 21% (2014: 23%). The differences are explained below:

	Group 2015 £'000	Group 2014 £'000
Loss on ordinary activities before taxation	(73,943)	(77,298)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	(15,528)	(17,779)
Effects of:		
Capital allowances (in excess of)/less than depreciation	(676)	2,699
Expenses not deductible for tax purposes	16,450	15,049
Unrelieved tax losses	-	436
Utilisation of brought forward losses	(286)	(106)
Other short term timing differences	40	(299)
Current tax charge for the year (note 8(a))	-	-

Factors affecting current and future tax charges

The group has estimated non-trade losses of £21.0 million (2014: £22.2 million) available for carry forward against future non-trade profits. Deferred tax assets of £4.2 million (2014: £4.4 million) in respect of these losses have not been recognised as their future recovery is uncertain or not currently anticipated.

The main rate of corporation tax was reduced from 23% to 21% from 1 April 2014. A further reduction to 20% from 1 April 2015 was substantively enacted in the Finance Act 2013 and the deferred tax asset at 31 March 2015 has been measured accordingly.

Notes to the financial statements *(continued)*

9 Parent company result

The company has taken advantage of Section 408(4) of the Companies Act 2006 and consequently a profit and loss account for the company is not presented.

The company's profit of £253,000 (2014: £236,000) arises from interest on loans to group undertakings, partially offset by the company's share of the group audit fee.

10 Intangible fixed assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 April 2014	704,246
Practice acquisitions (note 30)	17,449
Subsidiary acquisitions (note 30)	80,926
Fair value adjustments	448
	<hr/>
At 31 March 2015	803,069
	<hr/>
<i>Accumulated amortisation</i>	
At 1 April 2014	89,412
Charge for the year	38,618
	<hr/>
At 31 March 2015	128,030
	<hr/>
<i>Net book value</i>	
At 31 March 2015	675,039
	<hr/>
At 31 March 2014	614,834
	<hr/>

A number of changes have been made to the provisional fair value adjustments to the book values of the acquired assets and liabilities reported in the 31 March 2014 financial statements. The aggregate impact of these changes is to increase the goodwill arising from the acquisitions undertaken during the year ended 31 March 2014 by £448,000. These adjustments principally reflect: a reduction in the carrying value of stock acquired to bring the carrying value in line with its recoverable amount; and an increase in the carrying value of creditors acquired to reflect pre-acquisition liabilities that were identified during the year.

Notes to the financial statements (continued)

11 Tangible fixed assets

Group	Freehold property £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>				
At 1 April 2014	6,605	2,647	109,538	118,790
Acquisitions (note 30)	4,086	-	5,948	10,034
Additions	175	-	24,480	24,655
Disposals	(9,152)	(305)	(1,061)	(10,518)
At 31 March 2015	1,714	2,342	138,905	142,961
<i>Accumulated depreciation</i>				
At 1 April 2014	91	829	34,602	35,522
Charge for the year	83	33	16,857	16,973
Disposals	(150)	(56)	(702)	(908)
At 31 March 2015	24	806	50,757	51,587
<i>Net book value</i>				
At 31 March 2015	1,690	1,536	88,148	91,374
At 31 March 2014	6,514	1,818	74,936	83,268

As at 31 March 2015, no assets are held under finance leases or hire purchase contracts (2014: none).

Company

The company does not own any tangible fixed assets (2014: none).

Notes to the financial statements *(continued)*

12 Fixed asset investments

Company £'000

Investments at cost in subsidiary undertaking at 1 April 2014 and 31 March 2015

-

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 Healthcare Buying Group Limited, in which the group holds 93.2% of the ordinary share capital (2014: 92.6%) and Denture Excellence Limited, in which the group holds 75% of the ordinary share capital (2014: 75%). 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
Acsthetix Limited	Dental practices	England
Alemdent Limited	Dental practices	England
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	Dental practices	England
Castle Hill Dental Practice 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
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 Health Care Limited	Dormant	England
Dental Talent Tree (Recruitment) Limited	Dental recruitment	England
Denticare Limited	Dental practices	England
Denticare Properties Limited	Property investment	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	Non-trading	England
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

Notes to the financial statements *(continued)*

12 Fixed asset investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
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
Handpiece Express Limited	Dormant	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
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
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	Dormant	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
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
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

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
Phoenix Dental Limited	Dental practices	England
PJ Burrige Ltd	Dental practices	England
Priory House Dental Care Limited	Dental practices	England
Q Dental Care Limited	Dental practices	England
Q Dental Surgeries Limited	Non-trading	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
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
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 (formerly Broomco (4270) 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	Non-trading	England
Westhoughton (No 1) Limited	Dental practices	England
Westpark Dental Practice Limited	Dental practices	England
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

*Countries of operation – England, Scotland and Wales

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

Name of partnership	Name of partnership
1A Dental Practice Partnership	Railway Road Dental Practice Partnership
1A Group Dental Practice Partnership	Red Rose Dental Group
Abercromby Health Centre Partnership	Rhos Road Dental Practice Partnership
Amit Rai and Fizan Tahir Partnership	Rhyl and Abergele Elwy Dental Partnership
Armley Dental Practice Partnership	River Wye Dental Practice Partnership
Aspire Dental Practice Partnership	Saint Andrews Dental Practice Partnership
Avondale Dental Practice Partnership	Severn Street Dental Practice Partnership
Bank House Dental Practice	Sheldrake Drive Dental Practice Partnership
Barber Road Dental Practice Partnership	Sneyd Green Dental Practice Partnership
Bolton and Bury Dental Practice Partnership	Spittal Hill Dental Surgery Practice Partnership
Brassey Avenue Dental Practice Partnership	Stanhope Road Dental Practice Partnership
Brinsworth Lane Dental Care Partnership	The Abbey Parade Dental Practice Partnership
Brixton Hill Dental Practice Partnership	The Birley Moor Dental Practice Partnership
Caldy Road Dental Practice Partnership	The Boulevard Dental Practice Partnership
Carcroft Dental Practice Partnership	The Burnby Dental Practice Partnership
Castle View House Dental Practice Partnership	The Burnham Dental Practice Partnership

Notes to the financial statements *(continued)*

12 Fixed asset investments *(continued)*

Name of partnership

Central Dental Practice Partnership
Chantry Dental Practice Partnership
Chequer Hall Dental Practice Partnership
Cherry Orchard Dental Practice Partnership
Colne & Earby Dental Practice Partnership
Cottage Dental Practice Partnership

Crown Dental Practice Partnership

Dalton Dental Surgery Partnership
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
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
Heaton Road and Blakelaw 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 Brewery Yard Dental Practice Partnership
Old Mill Lane Dental Practice Partnership
Olivers Dental Studio Partnership
Picton Road Dental Practice Partnership

Group

The group does not own any fixed asset investments (2014: £nil).

Name of partnership

The Bury Dental Practice Partnership
The Caulfield Dental Surgery Partnership
The Church House Dental Practice Partnership
The Cornhill Dental Practice Partnership
The Cowpen and Waterloo Dental Practice Partnership
The Crab Tree Lane and Church Street Dental Practice Partnership
The Crossgates Lane and Chapeltown Road Dental Practice Partnership
The Dental Surgery Partnership
The Fairfield Dental Practice Partnership
The 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 Lypard 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 Pondental Surgery Dental Practice Partnership
The Queen Street Dental Practice Partnership
The Sea Road Dental Practice Partnership
The Southwick and Whitburn Dental Practice Partnership
The Trewhergie 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
Woodview Dental Health Practice Partnership

Notes to the financial statements (continued)

13 Stock

	Group 2015 £'000	Group 2014 £'000
Dental practice consumables	6,607	6,912
Goods for resale	15,619	661
	<u>22,226</u>	<u>7,573</u>

The replacement cost of stock is not materially different to its carrying value.

The company holds no stock (2014: £nil).

14 Debtors

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade debtors	17,631	-	3,938	-
Amounts owed by group undertakings	-	2,889	-	2,675
Amounts owed by related undertakings	233	-	332	-
Other debtors	6,547	-	10,210	-
Prepayments and accrued income	20,064	-	20,894	-
Corporation tax recoverable	550	-	135	-
Deferred tax asset	8,737	-	9,517	-
	<u>53,762</u>	<u>2,889</u>	<u>45,026</u>	<u>2,675</u>

The amounts owed by group undertakings 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 2015 includes accrued interest of £1,027,000 (2014: £719,000).

The amounts owed by related undertakings reflect 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.

Deferred tax

The elements of deferred taxation are as follows:

	Group 2015 £'000	Group 2014 £'000
Accelerated capital allowances	9,756	10,981
Other short term timing differences	(1,019)	(1,464)
	<u>8,737</u>	<u>9,517</u>
		Group £'000
At 1 April 2014		9,517
Charge in the year		(40)
Adjustment in respect of the previous year (note 8)		(579)
Arising from the acquisition of subsidiary undertakings (note 30)		(161)
At 31 March 2015		<u><u>8,737</u></u>

Notes to the financial statements (continued)

14 Debtors (continued)

Deferred tax (continued)

	Group £'000
Deferred tax asset relating to defined benefit pension scheme liability	
Deferred tax charged to the profit and loss account	(2)
Deferred tax credited to the consolidated statement of total recognised gains and losses	85
	<hr/>
Total deferred tax credit relating to defined benefit pension scheme liability (note 25)	83
	<hr/>
	Group £'000
Reconciliation of deferred tax charge recognised in the profit and loss account	
Deferred tax charge for the financial year	(40)
Deferred tax charge in respect of defined benefit pension scheme	(2)
	<hr/>
Total deferred tax charge recognised in the profit and loss account (note 8)	(42)
	<hr/>

15 Creditors: amounts falling due within one year

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade creditors	19,146	-	12,877	-
Amounts owed to group undertakings	-	-	-	22
Corporation tax	30	-	197	-
Other taxation and social security costs	3,773	-	1,899	-
Other creditors	1,014	-	-	-
Deferred consideration for acquisitions	5,676	-	5,329	-
Accruals and deferred income	57,209	-	44,943	-
	<hr/>	<hr/>	<hr/>	<hr/>
	86,848	-	65,245	22
	<hr/>	<hr/>	<hr/>	<hr/>

Included within accruals and deferred income falling due within one year are unamortised Government grants totalling £0.12 million (2014: £0.32 million). The amount amortised during the year was £0.32 million (2014: £0.51 million).

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

	Government grants £'000
At 1 April 2014	696
Grants received during the year	4
Unamortised grants acquired through acquisition of subsidiary	44
Amortisation (note 3)	(318)
	<hr/>
At 31 March 2015	426
	<hr/>

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due after more than one year

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Bank and other borrowings (note 17)	520,840	-	408,535	-
Loan notes	468,063	-	417,883	-
Preference shares classified as liabilities	36,131	-	32,259	-
Deferred consideration for acquisitions	7,011	-	5,499	-
Accruals and deferred income	410	-	379	-
	<u>1,032,455</u>	<u>-</u>	<u>864,555</u>	<u>-</u>

Included within accruals and deferred income falling due within one year are unamortised Government grants totalling £0.30 million (2014: £0.38 million). The amount amortised during the year is shown in note 15.

Deferred consideration includes amounts due to the vendor of HM Logistics Limited (The Dental Directory) and to the vendors of other dental practices acquired by the group. All amounts are due within the next five years.

Included within bank and other borrowings are £10.68 million (2014: £13.47 million) of unamortised loan issue costs and associated professional fees.

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. At 31 March 2015, interest of £153.56 million was accrued on these notes (2014: £103.38 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 2015, 23,627,422 £1 preference shares were in issue (2014: 23,627,422). Preference share dividends of £12.50 million were accrued at 31 March 2015 (2014: £8.63 million).

17 Bank and other borrowings

The company does not hold any bank or other borrowings.

The group bank loans and other borrowings are repayable as follows:

	Group 2015 £'000	Group 2014 £'000
Senior secured, floating rate and second lien notes		
Between two and five years	501,018	325,000
After five years	-	75,000
Total senior secured, floating rate and second lien notes	<u>501,018</u>	<u>400,000</u>
Bank loans		
Between two and five years	30,500	22,000
Total bank loans	<u>30,500</u>	<u>22,000</u>
Less: unamortised arrangement fees and related costs	<u>(10,678)</u>	<u>(13,465)</u>
	<u>520,840</u>	<u>408,535</u>

Notes to the financial statements *(continued)*

17 Bank loans and note financing *(continued)*

On 30 May 2013, the group re-financed its existing debt and raised £400 million through the issue of £200 million of senior secured fixed rate notes, £125 million of senior secured floating rate notes and £75 million of second lien notes. On the same date, the group also entered into an agreement with a syndicate of banks to provide a £100 million Super Senior Revolving Credit Facility ('SSRCF'). These facilities remained in place throughout the year ended 31 March 2015.

On 9 May 2014, the group raised a further £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 SSRCF and for general corporate purposes. The notes were issued at a price of 101.25, a premium of 1.25% over par. The premium arising of £1.25 million is to be amortised on a straight line basis over the remaining term to maturity.

- The £200 million of senior secured notes 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.
- The £225 million of senior secured floating rate notes 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 £75 million of second lien notes 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.
- £30.50 million has been drawn down against the £100 million SSRCF as at 31 March 2015 (2014: £22.00 million). Interest is payable in arrears at a rate of LIBOR plus 4% per annum.

On 30 May 2013, as part of an interest rate management strategy, the group entered into two interest rate contracts to swap LIBOR for a fixed rate. One contract for a notional principle amount of £62.50 million matures on 1 June 2017 and interest is fixed at 1.9125%. The second contract, also for a notional principle amount of £62.50 million, matures on 1 June 2017 and interest is fixed at 1.9210%. The fair value of the liability arising from these interest rate swap contracts at 31 March 2015 was £3.1 million (2014: liability of £2.1 million).

18 Provisions for liabilities

Group	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2014	5,884	4,333	10,217
Arising from acquisitions (note 30)	123	431	554
Fair value adjustments	-	(160)	(160)
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

Property provisions

The group has a number of properties where the rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases.

The gross provision of £6.2 million (2014: £7.2 million) has been discounted to present value using a rate of 5% (2014: 5%).

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.

Notes to the financial statements (continued)

19 Called up share capital

Group and company	Number issued	2015 £'000	Number issued	2014 £'000
<i>Allotted, called up and fully paid</i>				
"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	291,332	12
	<u>1,999,999</u>	<u>30</u>	<u>1,991,331</u>	<u>30</u>

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.

20 Share premium account

Group and company	2015 £'000	2014 £'000
At the beginning of the year	1,961	1,961
Premium arising on shares issued during the year	10	-
At the end of the year	<u>1,971</u>	<u>1,961</u>

21 Profit and loss account

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
At the beginning of the year	(184,323)	675	(108,955)	439
(Loss)/profit for the financial year	(74,479)	253	(75,368)	236
Actuarial (loss)/gain in respect of defined benefit pension scheme	(570)	-	50	-
Unrecognised actuarial movement arising on defined benefit pension scheme in surplus to which the group has no recourse	-	-	(50)	-
Reversal of previously unrecognised defined benefit pension scheme asset	145	-	-	-
Deferred tax movement in respect of defined benefit pension scheme	85	-	-	-
At the end of the year	<u>(259,142)</u>	<u>928</u>	<u>(184,323)</u>	<u>675</u>

Notes to the financial statements *(continued)*

22 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
(Loss)/profit for the financial year	(74,479)	253	(75,368)	236
Share premium arising on issue of ordinary shares	10	10	-	-
Actuarial (loss)/gain in respect of defined benefit pension scheme	(570)	-	50	-
Unrecognised actuarial movement arising on defined benefit pension scheme in surplus to which the group has no recourse	-	-	(50)	-
Reversal of previously unrecognised defined benefit pension scheme asset	145	-	-	-
Deferred tax movement in respect of defined benefit pension scheme	85	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase in shareholders' (deficit)/funds	(74,809)	263	(75,368)	236
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholders' (deficit)/funds	(182,332)	2,666	(106,964)	2,430
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(257,141)	2,929	(182,332)	2,666
	<hr/>	<hr/>	<hr/>	<hr/>

23 Contingent liabilities

Assigned leases

When disposing of practices, the group has generally 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 practices have been disposed of as going concerns, and 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 joined 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 £1.80 million (2014: £1.80 million).

Notes to the financial statements *(continued)*

24 Commitments under operating leases

At 31 March 2015, the group had annual commitments under non-cancellable operating leases as follows:

	Group 2015 £'000	Group 2014 £'000
Land and buildings:		
Expiring within one year	209	240
Expiring between two and five years	2,192	1,425
Expiring after five years	10,577	8,685
	<hr/>	<hr/>
	12,978	10,350
	<hr/>	<hr/>
Other:		
Expiring within one year	131	180
Expiring between two and five years	775	386
	<hr/>	<hr/>
	906	566
	<hr/>	<hr/>

25 Pension commitments

Group

The group operates a number of defined contribution pension schemes. The pension cost charge for the financial year represents contributions payable by the group to the schemes and amounted to £796,000 (2014: £342,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2014: £nil).

The group also operates a pension scheme providing benefits based on final pensionable pay. The pension scheme was acquired as part of the acquisition of Pearl Topco Limited. The scheme is closed to new members and has no active members.

During the year to 31 March 2015 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 £45,000 (2014: £52,000). 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 FRS 17 'Retirement benefits' purposes to 31 March 2015 by a qualified independent actuary.

The major assumptions used in this valuation were:

	2015	2014
Expected return on plan assets	4.4%	4.8%
Rate of increase in pensions in payment and deferred pensions	3.2%	3.5%
Discount rate applied to scheme liabilities	3.1%	4.2%
Inflation assumption	3.2%	3.5%

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 2015 will on average live for a further 22.9 years (2014: 24.7 years) after retirement if they are male and 24.9 years (2014: 26.6 years) if they are female.

Notes to the financial statements (continued)

25 Pension commitments (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	Percentage of plan assets 2015	Value 2015 £'000	Percentage of plan assets 2014	Value 2014 £'000
Equities	42%	2,011	41%	1,806
Bonds	54%	2,552	58%	2,554
Property	3%	127	1%	65
Cash	1%	30	0%	7
Total market value of assets	100%	4,720	100%	4,432
Present value of scheme liabilities		(5,134)		(4,287)
(Deficit)/surplus in the scheme		(414)		145
Related deferred tax asset		83		-
Net pension (deficit)/asset		(331)		145

The scheme was in a position of surplus as at 31 March 2014. A surplus can only be recognised to the extent that it is recoverable through reduced future contributions or by a refund from the scheme. As the scheme is paid up and there is no agreement with the trustees to refund any monies, the surplus is not regarded as recoverable and was therefore not recognised on this basis.

The expected rates of return on the assets in the scheme were:

	Long term rate of return 2015 %	Long term rate of return 2014 %
Equities	7.25	7.00
Bonds	3.00	4.00
Property	5.50	6.25
Cash	1.50	1.50

The expected returns have been based on the current split by investment sector of the assets of the scheme, using average expected returns for each sector. The expected returns have been reduced to allow for expected investment expenses.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

Movement in (deficit)/surplus during the year:

	2015 £'000	2014 £'000
Surplus in the scheme at the start of the year	145	87
Current service cost	(20)	(21)
Other finance income	31	29
Actuarial (loss)/gain	(570)	50
	<hr/>	<hr/>
(Deficit)/surplus in the scheme at the end of the year	(414)	145
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation are as follows:

	2015 £'000	2014 £'000
Opening defined benefit obligation	(4,287)	(4,558)
Current service cost	(20)	(21)
Interest cost	(174)	(177)
Actuarial (loss)/gain	(963)	170
Benefits paid	310	299
	<hr/>	<hr/>
Closing defined benefit obligation	(5,134)	(4,287)
	<hr/>	<hr/>

Changes in the fair value of plan assets are as follows:

	2015 £'000	2014 £'000
Opening market value of plan assets	4,432	4,645
Expected return on scheme assets	205	206
Actuarial gain/(loss)	393	(120)
Benefits paid	(310)	(299)
	<hr/>	<hr/>
Closing market value of assets	4,720	4,432
	<hr/>	<hr/>

Analysis of amounts included in other finance income

	2015 £'000	2014 £'000
Expected return on pension scheme assets	205	206
Interest cost on pension scheme liabilities	(174)	(177)
	<hr/>	<hr/>
	31	29
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

Analysis of amounts recognised in the consolidated statement of total recognised gains and losses

	2015 £'000	2014 £'000
Actual return less expected return on scheme assets	393	(120)
Experience gains and losses arising on scheme liabilities	(48)	6
Changes in assumptions underlying the present value of scheme liabilities	(915)	164
	<hr/>	<hr/>
Actuarial (loss)/gain	(570)	50
	<hr/>	<hr/>

The group does not expect to make any contributions to the pension scheme during the next financial year.

Five year record

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Defined benefit obligation	(5,134)	(4,287)	(4,558)	(3,717)	(3,214)
Plan assets	4,720	4,432	4,645	4,213	4,135
Scheme (deficit)/surplus	(414)	145	87	496	921
Experience adjustments on plan liabilities	(48)	6	(22)	(103)	-
Experience adjustments on plan assets	393	(120)	299	159	138

Note that, in order to provide comparable information, the five year historical disclosures provided above reflect the accounts of Pearl Topco Limited for 2011.

26 Reconciliation of operating profit to net cash inflow from operating activities

	Group 2015 £'000	Group 2014 £'000
Operating profit	17,260	18,572
Amortisation of goodwill	38,618	33,989
Depreciation	16,973	13,623
Amortisation of grant income	(318)	(510)
Defined benefit pension scheme service cost	20	-
Increase in stock	(247)	(746)
Decrease/(increase) in debtors	3,965	(4,956)
Increase in creditors	6,729	589
Decrease in provisions	(1,612)	(5,895)
	<hr/>	<hr/>
Net cash inflow from operating activities	81,388	54,666
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Notes to the financial statements *(continued)*

27 Analysis of cash flows

	Group 2015 £'000	Group 2014 £'000
Returns on investment and servicing of finance		
Senior facility loan interest paid	(642)	(2,932)
Senior secured, floating rate and second lien note interest paid	(29,795)	(19,063)
Interest rate swap cash paid	(1,715)	(2,426)
Bank interest received	76	67
Arrangement fees and associated professional costs	(1,678)	(15,366)
Syndicate charges paid	(1,472)	(1,702)
Net cash outflow for returns on investments and servicing of finance	(35,226)	(41,422)
Capital expenditure		
Purchase of tangible fixed assets	(25,916)	(21,136)
Capital grants received	4	19
Purchase of freehold property	(175)	(2,716)
Proceeds on sale of freehold property and other tangible fixed assets	10,962	298
Net cash outflow for capital expenditure	(15,125)	(23,535)
Acquisitions and disposals		
Acquisition of subsidiary undertakings (including associated costs)	(103,636)	(59,567)
Cash acquired on acquisition of subsidiary undertakings	4,317	1,684
Acquisition of practices (including associated costs)	(17,791)	(33,354)
Proceeds from sale of practices (net of costs)	-	17
Deferred consideration paid	(723)	(2,109)
Professional fees paid in respect of acquisitions in progress at the balance sheet date	(123)	(225)
Net cash outflow for acquisitions and disposals	(117,956)	(93,554)
Financing		
Drawdown of bank loans	105,000	47,307
Repayment of bank loans	(96,500)	(329,273)
Proceeds from issue of senior secured, floating rate and second lien notes	101,250	400,000
Redemption of loan notes (including accrued interest)	-	(49,501)
Preference share dividends paid	-	(499)
Proceeds of equity share issue	10	-
Net cash inflow from financing	109,760	68,034

Notes to the financial statements *(continued)*

28 Reconciliation of net cash flow to movement in net debt

	Group 2015 £'000	Group 2014 £'000
Increase/(decrease) in cash in the financial year	22,291	(35,566)
Drawdown of bank loans	(105,000)	(47,307)
Repayment of bank loans	96,500	329,273
Proceeds from issue of senior secured, floating rate and second lien notes (net of fees)	-	(384,460)
Proceeds from issue of additional floating rate notes	(101,250)	-
Redemption of loan notes (including accrued interest)	-	49,501
Preference share dividends paid	-	499
Total cash movement in net debt	(87,459)	(88,060)
Accrued loan interest	(50,180)	(46,105)
Accrued preference share dividends	(3,872)	(3,476)
Amortisation of loan arrangement fees	(2,786)	(2,674)
Amortisation of premium arising on issue of additional floating rate notes	231	-
Release of loan arrangement fees on redemption of senior facilities	-	(15,263)
Total non-cash movement in net debt	(56,607)	(67,518)
Total movement in net debt	(144,066)	(155,578)
Net debt brought forward	(851,727)	(696,149)
Net debt carried forward	(995,793)	(851,727)

29 Analysis of changes in net debt

	At the start of the year £'000	Cash- flows £'000	Other non-cash changes £'000	At the end of the year £'000
Cash and cash equivalents				
Cash at bank and in hand	6,950	22,291	-	29,241
Debt				
Bank and other borrowings	(408,535)	(109,750)	(2,555)	(520,840)
Loan notes	(417,883)	-	(50,180)	(468,063)
Preference shares	(32,259)	-	(3,872)	(36,131)
Total debt	(858,677)	(109,750)	(56,607)	(1,025,034)
Total net debt	(851,727)	(87,459)	(56,607)	(995,793)

Notes to the financial statements (continued)

30 Acquisitions

Acquisition of HM Logistics Limited

On 17 April 2014, the group acquired 100% of the issued share capital of the HM Logistics Limited group of companies (together 'The Dental Directory') for a maximum total consideration of £68.3 million, including acquisition fees. HM Logistics Limited was acquired by The Dental Directory Limited (formerly Broomco (4270) Limited), a newly incorporated, wholly owned, subsidiary of Turnstone Bidco 1 Limited. The principal activity of The Dental Directory is the distribution of dental consumables and materials to dental practices throughout the United Kingdom.

The provisional adjustment required to the book values of the assets and liabilities of The Dental Directory group acquired in order to present the net assets at the provisional fair values in accordance with group accounting principles was £2.1 million, details of which are set out below together with the resultant amount of goodwill arising.

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	2,964	-	2,964
Stock	14,854	(542)	14,312
Debtors	16,971	(410)	16,561
Cash	3,312	-	3,312
Creditors	(12,301)	(1,075)	(13,376)
Corporation tax	(349)	-	(349)
Provisions	(55)	(80)	(135)
	<hr/>	<hr/>	<hr/>
Net assets acquired	25,396	(2,107)	23,289
Goodwill			45,044
			<hr/>
			68,333
			<hr/>
<i>Satisfied by:</i>			
Cash			62,889
Deferred consideration			4,000
Acquisition expenses			1,444
			<hr/>
			68,333
			<hr/>

During the period from 17 April 2014 to 31 March 2015, The Dental Directory contributed turnover of £100.9 million and EBITDA before exceptional items and intragroup eliminations of £6.9 million to the group. In addition, The Dental Directory generated operating cashflow, before capital expenditure and exceptional items, of £7.5 million for the same period.

For the year ended 31 December 2013, Billericay Dental Supply Co. Limited, the principal trading company within the HM Logistics Limited group, reported turnover of £102.9 million, operating profit of £7.6 million and a profit after tax of £5.8 million.

Notes to the financial statements (continued)

30 Acquisitions (continued)

Corporate acquisitions

During the year the group acquired the entire issued share capital of 12 companies incorporating dental practices. None of these acquisitions were material in their own right. The details are shown in aggregate below:

Name of acquisition	Date of acquisition
Murgelas Practice Management Limited	14 May 2014
Tully Crine Limited	17 June 2014
Romford Orthodontics Centre Limited	21 July 2014
Denticare Limited	31 July 2014
Denticare Properties Limited	31 July 2014
The Visiting Dental Service Limited	31 October 2014
Manchester Orthodontists Limited	15 December 2014
The Bristol Endodontic Clinic Limited	23 December 2014
Westpark Dental Practice Limited	13 February 2015
SRDP Limited	27 February 2015
Flagstaff Dental Clinic Limited	27 February 2015
Confident Dental Practices Limited	27 February 2015
Olivers Dental Studio Limited	31 March 2015

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	5,743	(80)	5,663
Stock	214	(24)	190
Debtors	639	(50)	589
Cash	1,005	-	1,005
Creditors	(1,829)	(235)	(2,064)
Corporation taxation	(328)	-	(328)
Deferred taxation	(161)	-	(161)
Provisions	-	(284)	(284)
Net assets acquired	5,283	(673)	4,610
Goodwill			35,882
			40,492
Satisfied by:			
Cash			37,552
Deferred consideration			1,326
Acquisition expenses			1,614
			40,492

Included within the cash consideration are loans made by the acquiring entities to the acquired company in order to settle vendor shareholder loans of £3.98 million.

The adjustment to provisions results from properties where the lease terms upon acquisition are such that rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases. 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.

Notes to the financial statements *(continued)*

30 Acquisitions *(continued)*

Unincorporated acquisitions

The group also acquired the businesses of 24 unincorporated dental practices in the year. None of these acquisitions were material in their own right; the details are shown in aggregate below.

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	1,407	-	1,407
Stock	10	-	10
Provisions	-	(135)	(135)
	<hr/>	<hr/>	<hr/>
Net assets acquired	1,417	(135)	1,282
Goodwill			17,449
			<hr/>
			18,731
			<hr/>
<i>Satisfied by:</i>			
Cash			17,265
Deferred consideration			615
Acquisition expenses			851
			<hr/>
			18,731
			<hr/>

Of these acquisitions, 17 were via the acquisition of trade and assets from partnerships, which retain control of the NHS contract. The partners hold their interest in the partnership on behalf of group companies under a deed of trust.

The adjustment to provisions results from properties where the lease terms upon acquisition are such that rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases. 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.

31 Post balance sheet events

Since 31 March 2015, the group has acquired five incorporated dental practices.

The total consideration was £7.5 million.

Notes to the financial statements *(continued)*

32 Related party transactions

Director's loan

On 9 December 2013, Turnstone Midco 1 Limited loaned an amount of £100,000 to T Scicluna. Interest was 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's subsidiary, Turnstone Midco 1 Limited (2014: £254.95 million). During the year to 31 March 2015, interest of £40.79 million was accrued (2014: £37.43 million). The total amount of accrued interest due at 31 March 2015 is £125.51 million (2014: £84.72 million). During the year ended 31 March 2014, principal of £22.10 million and accrued interest of £15.63 million was settled.

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 (2014: £59.56 million). During the year to 31 March 2015, interest of £9.39 million was accrued (2014: £8.68 million). The total amount of accrued interest due at 31 March 2015 is £28.04 million (2014: £18.65 million). During the year ended 31 March 2014, principal of £6.90 million and accrued interest of £4.88 million was settled.

ADP Primary Care Acquisitions Limited also holds preference shares in Turnstone Midco 1 Limited with a par value of £20.00 million (2014: £20.00 million). During the year to 31 March 2015, dividends of £3.33 million were accrued (2014: £2.98 million). The total amount of accrued dividends due at 31 March 2015 is £11.10 million (2014: £7.77 million).

Transactions with entities under the control of key management personnel

During the year ended 31 March 2015, the group has entered into the following transactions with entities which are under the control of Martin Mills. Mr Mills continued to act as Managing Director of The Dental Directory following its acquisition by the group on 17 April 2014, until January 2015 when he became the non-executive chairman of the group's practice services division.

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 period from 18 April 2014 to 31 March 2015, the rent charge in respect of these premises was £324,000. £53,000 was due to Sharksfin Holdings Limited at 31 March 2015.

Med-FX Limited

During the period from 18 April 2014 to 31 March 2015, the group sold goods and services with an aggregate value of £7,113,000 (net of rebates receivable) to Med-FX Limited, a company incorporated in Jersey and a wholly owned subsidiary of Sharksfin Holdings Limited. The balance due from Med-FX Limited at 31 March 2015 was £854,000. In addition, Med-FX recharged the group a total of £24,000 in respect of various services during the same period. A balance of £13,000 was due to Med-FX Limited at 31 March 2015.

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 period from 18 April 2014 to 31 March 2015, the rent charge in respect of these premises was £63,000. No balance was due to or from The Weavers Pension Scheme as at 31 March 2015.

33 Controlling party

At 31 March 2015 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 2015 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.