





Contents

| | |
|---|----|
| Chairman's Statement | 5 |
| Chief Executive's Review | 7 |
| Our focus on patient care | 10 |
| Investing in our people | 11 |
| Investing in safety, quality & compliance | 12 |
| Recognising our corporate responsibility | 13 |
| Market Trends | 15 |
| Summary Financial Performance | 17 |
| Board of Directors & Key Operational Managers | 19 |
| Practice Location Map | 23 |



Chairman's Statement



Paul Pindar, Non-Executive Chairman

"We will continue to ensure that the patient is at the heart of everything we do..."

I am delighted to have joined Integrated Dental Holdings (IDH) at this exciting period in its development. In only 16 years, the business has developed from its genesis of just three practices in North West England to now being the largest dental corporate in the world with nearly 500 practices across the UK. But as we know, biggest does not always mean best and industry leaders cannot afford to be complacent. Working in partnership with the National Health Service (NHS), we continue to focus on maintaining the highest clinical standards and excellent customer service by investing in our clinical professionals, staff and our practices, so that we become the provider of

choice for patients.

Our ever increasing network of sites and substantial investment in systems development will enable us to innovate and develop our services to meet customers' changing needs in both private and NHS dentistry. We will continue to ensure that the patient is at the heart of everything we do and strive to deliver "dentistry to smile about".

Our ambitious five-year growth strategy aims to more than double annual revenues to over £650 million and the number of practices operated by the group to 1,000. This strategy focuses on growth from the continued acquisition of practices, the organic development of our private dentistry business and

best in class management of our practice portfolio. Our investment in a range of initiatives to enhance career development opportunities for our clinicians will further improve our engagement with our practice teams and ensure that we achieve our stated goal of being "the dentist's choice".

With a high quality Board focused on our enormous commercial opportunities, I am confident that we will continue to deliver a great customer experience whilst expanding our core business and enhancing our offering to deliver a commensurate growth in sales and profits - all this while we continue to strive to deliver clinical excellence throughout the business. ■

Chief Executive's Review



Richard Smith, Chief Executive Officer

"...we have invested more than £16.6 million on training, practice improvements and upgrading our central services infrastructure..."

I am pleased to present Integrated Dental Holdings' (IDH) annual review for the year 2011/12. Over the past year, the business has continued to experience rapid growth during a period of considerable economic uncertainty. Following the merger of Associated Dental Practices and Integrated Dental Holdings in early 2011, IDH now ranks as the largest dental corporate in the world. As the largest provider of dental services we offer consistent, high quality affordable care and convenient access to over 5 million patients through a national network of nearly 500 practices. We strive to deliver industry leading clinical care through continued investment in our 2,000 dentists, 5,000 staff and

practices. In the last year, we have invested more than £16.6 million on training, practice improvements and upgrading our central services infrastructure.

The dentistry market has not escaped the economic downturn. The strong growth in both NHS and private dentistry seen over the last decade has slowed considerably in recent years as budget constraints and lower consumer spending has impacted on the marketplace. Despite this challenging climate, IDH has continued to strengthen its network of practices in the UK with the group now operating a total of 497 practices at the end of March 2012.

Our commitment to invest in

future growth starts at the very top of the organisation and is reflected in our investment in the new IDH headquarters in Kearsley, Manchester. The 22,000 square foot premises provide modern facilities with the space to expand our central operations over the coming years as we continue to grow our business. The location allows us to keep our fixed overhead costs low. This in turn gives us the opportunity to continue to offer excellent value for patients and to invest in new jobs in the local area and across the UK. We were delighted that the new building was opened by Barry Cockroft, the Government's Chief Dental Officer, in October 2011.

Alongside our patients, NHS

Primary Care Organisations are our most important customers. In the past year, as the Health and Social Care Bill passed through Parliament, these organisations have been preparing for the biggest reorganisation of the NHS in its history. At this time of great uncertainty for the NHS, we have continued to grow this part of the business. As part of this, I am pleased that IDH is working in partnership with the Department of Health to pilot elements of the new contract which will shape the future of dentistry. Five IDH practices are piloting a full capitation scheme with payments for quality and clinical outcomes. The teams working in these five practices are adapting to the fundamentally different ways of working. The provision of initial oral assessments, recording of full patient history and generation of individual care plans has resulted in dentists spending more time with patients, although with some knock-on effects for waiting times. However, we see these waiting times beginning to reduce and we look forward to working with the

“IDH is leading the way in delivering affordable modern dentistry services...”

Department of Health on sharing our experiences and helping to design a strong framework for NHS dentistry focused on improved patient quality, experience and treatment outcomes.

IDH is pioneering the delivery of dental services that meet changing patient demands and Government expectations for greater accessibility to healthcare services. In March 2012, IDH opened a new type of practice. Open 363 days a year and with extended opening hours, we are able to provide unsurpassed convenience and accessibility to local patients, helping them fit dental care into their busy lives. With this facility blueprint for the future, IDH is leading the way in delivering affordable modern dentistry services to patients in locations and at times which are convenient and accessible.

As we look ahead, the provision of NHS dental treatment is likely to face continued pressure from cuts in public spending. We believe IDH is well-placed to support the healthcare system by offering scaleability, accessibility and value which is increasingly sought by both NHS organisations and patients. Despite our size, IDH represents only a small percentage of the UK's dentistry market and we are confident of the considerable potential for further expansion. We also remain committed to private dentistry and will continue to offer patients a choice of either private or NHS dentistry, allowing for changing patient demands in the future.

This year, the dentistry market came under renewed scrutiny with the publication of a detailed

market study report by the Office of Fair Trading (OFT). The report highlighted some concerns with the way that the market is operating. In particular, the OFT recommended greater transparency and better provision of information to patients to facilitate competition and choice. IDH has already introduced policies responding to these recommendations.

We continue to streamline processes and optimise practices to help us deliver great value-for-money services. Following the 2011 merger of ADP and IDH, we are creating common invoicing, sourcing procedures and selecting suppliers with a focus on product quality and pricing to provide the best possible options to both our clinicians and our patients. This year, IDH has been working with CareStream to introduce a single Practice Management System across the network. The new software will improve communication and enable us to deliver customised reporting to our clinicians and managers. Prescribing Reports will help dentists to monitor and improve clinical

metrics, whilst area and regional reporting will help our managers oversee our practice portfolio more efficiently and effectively. By streamlining the running of IDH practices and easing the burden of bureaucracy, dentists, practice managers and support staff will have more time to focus on caring for patients and delivering high quality dentistry.

We continue to work closely with The Carlyle Group and Palamon Capital Partners, our equity partners. IDH benefits from their financial strength, extensive network, and strong track record in the management of healthcare companies. They are also helping to attract the interest of some of the biggest names in British business. We recently announced the appointment of Paul Pindar as non-executive Chairman of IDH. As Chief Executive of Capita plc, Paul has extensive experience in working with the public sector to achieve shared objectives. I am confident that his experience will be invaluable to us as IDH moves forward with its highly ambitious plans.

IDH has experienced rapid growth during the past year. We have successfully integrated two businesses to create the UK's largest and fastest-growing dental group. We have made substantial improvements to our operating model and invested in practices, people, systems and processes. Looking ahead, the dentistry sector faces a period of considerable change. With strong foundations and a mixed portfolio of services, IDH is in a strong position to take advantage of these opportunities and to accelerate further growth. ■



Our focus on patient care

IDH is dedicated to providing excellent care, services and treatment to our patients. We pride ourselves on being a people-focused business and we understand that excellent care is much more than just a phrase. Our extensive experience of dentistry means that we really do understand patient needs and how best to respond in meeting these needs.

Our business relies on the provision of highly professional care from dedicated dental teams at our practices across the country. With greater emphasis being placed on competition and informed patient choice across the NHS and private markets, we are confident our focus on quality care will also continue to deliver increased revenues for the business.

Our dedication to excellent patient care in dentistry is reflected in our investment in a range of areas including equipment, training and facilities. IDH actively seeks the views of patients in order to measure our performance, learn from patient

feedback and continually improve our performance. Patient surveys are regularly conducted by individual practices and the results used to inform improvements in facilities and staff training.

Patients are also invited to submit comments, complaints and compliments directly to IDH Head Office. In 2011-12, we received over 18,000 compliments from patients; a 380 per cent increase on compliments received in 2010-11.

There was also a 6 per cent reduction in complaints received per practice in 2012 compared to 2011.

We have set ambitious goals for 2012-2013 to increase the number of compliments and to ensure that the downward trend for complaints received per practice continues through our focus on quality of patient care, additional training for all our practice staff and new processes to give dentists more time with their patients. We are constantly raising standards by investing in our patients and in our people. ■

“In 2011-12, we received over 18,000 compliments from patients...”



Investing in our people

The success of our business is based on talented, dedicated clinicians and employees delivering excellent patient care, maximising value for patients and developing new business opportunities. We are therefore investing over one million pounds in their professional development, by establishing a state-of-the-art Academy which will open in Manchester later this financial year. The IDH Academy will feature a flagship 'Practice of the Future' providing NHS and private treatments as well as a separate training facility, providing induction courses, hands-on training and ongoing continuing professional development opportunities. IDH will have the first major private post-graduate dental training facility in the UK, and there are plans to extend this to other locations.

More than 2,000 dentists work in IDH practices across the UK with many of them attending national IDH roadshows during 2011. We held 10 events around the country attended by over 600 dentists representing over 50% of practices in the IDH network, an illustration of our commitment to working with dentists as trusted business partners. These roadshows provided an opportunity for IDH's senior management team to share their vision for the group, receive feedback and build the foundations

for on-going dialogue with our dentists and clinicians. Following on from the roadshow success, IDH has established five regional Clinical Panels. Each panel is made up of ten dentists from the region representing different specialisms and disciplines. It provides a forum for IDH to engage in an on-going dialogue with dentists from across the country and practice areas and to solicit their views and suggestions. As the business continues to grow, we will continue to engage with dentists and clinicians and reflect their input in developing the future of dentistry.

A new induction programme for all dentists was launched in May 2011 and we successfully delivered an updated cross infection training course to all dentists. We also launched a number of online training courses and a mobile app to provide greater access to professional development opportunities for dentists. We are also committing significant resources to provide training for our dentists in the latest techniques and to provide them with opportunities to develop further under the IDH umbrella. ■

Investing in safety, quality & compliance

IDH is committed to ensuring the highest standards across all areas of our business and for all our patients, clinicians and employees. In the past two years, we have continued to upgrade our asset base, investing in technical equipment and superb modern facilities and will continue to invest in our practices in the coming years.

During this time, the framework for governance in dentistry has changed substantially. From April 2011, all primary care dental practices were required to register with the Care Quality Commission (CQC). In preparation for these new requirements, IDH reviewed standards across its network and put in place group-wide processes to ensure compliance. Risk-management policies have been updated and are being implemented across the practice network. There have been more than 90 CQC inspections at

IDH practices in the last year, with overwhelmingly positive results.

IDH has also invested heavily to ensure compliance with the Department of Health HTM01-05 guidance on decontamination in primary care dentistry. In line with this guidance, the everyday decontamination cycle for re-processing instruments is monitored and validated in every practice, with evidence generated for audit purposes.

IDH has a dedicated manager responsible for developing a comprehensive health and safety strategy and to embedding health and safety practices throughout the business. We have also recently invited the Royal Society for the Prevention of Accidents to audit this strategy and will work with them to ensure safety continues to be a leading priority for the group. ■

“In the past two years, we have continued to upgrade our asset base, investing in technical equipment and superb modern facilities...”



Recognising our corporate responsibilities

Employee charity fundraising

IDH takes a proactive approach to corporate social responsibility (CSR). Our employees' charitable support programs reflect our commitment to local, national and international causes, and our focus on improving access to healthcare.

We are proud to be working with Ronald McDonald House Charities as our current employee charity partner. All practices and Head Office staff raise money for this commendable charity, which provides a 'home away from home' for families with children in hospital. We will be establishing a regional charity strategy so that our local teams can select and support a good cause that reflects their local area.

We have also focused our employee charitable work on improving dental care in the developing world. Almost three quarters of the world's population have no access to simple dental pain relief. Earlier this year an IDH team climbed the three highest peaks in England, raising almost £4,000 in sponsorship for Bridge2Aid. These funds are helping the charity to train more than 50 Tanzanian health workers in emergency dentistry each year, empowering local people to improve their own health and wellbeing.

All refreshments for corporate events at Head Office are provided by the First Step Trust, a charity that provides work, training and employment opportunities for people excluded from ordinary working life because of mental health problems or other disabilities.

Environmental sustainability

IDH is committed to environmental responsibility and reducing the impact of its business on the environment. As a major healthcare provider, IDH produces a considerable volume of clinical waste at practice level. We have partnered with a leading waste management company to ensure this waste is collected, processed and disposed in line with all relevant environmental regulations. At our Head Office, we actively promote recycling and an increasing proportion of waste is recycled. ■



Market trends

“our aim is to be more than a dentist”

The dental market in the UK is estimated to be worth around £5.7 billion, with 58% of primary care dentistry delivered by the NHS and the remainder delivered privately. The NHS, IDH's main partner, faces an unprecedented funding challenge and must find £20 billion in savings across its range of services by 2015. The NHS is also in the midst of a radical transformation, with the introduction of clinically-led commissioning groups, increased competition and a greater focus on improved public health. The Health and Social Care Act – the legislation that sets out these changes – has now received Royal Assent, providing for greater certainty and planning. The NHS Commissioning Board will take responsibility for the commissioning of dentistry services in April 2013. IDH is well placed to support this change and to work with the NHS to improve access and quality of care. As the largest provider of dental services we have streamlined our central services, ensuring IDH is able to provide the quality of care, economies of scale and efficiencies sought by the NHS. IDH continues to work tirelessly to deliver our NHS contracts and promote access to NHS services.

In the past two years, we have already seen an increased regulatory burden placed on dentists in the form of the extensive Care Quality Commission registration process. This is in addition to the General Dental Council regulatory overview which has been in place for a number of years. We have invested heavily to meet these new requirements.

A new contract for NHS dentistry is expected to be introduced in the next two to three years, which will fundamentally change the way in which IDH is reimbursed for the services we provide to patients. Five IDH practices are involved with the pilot schemes and they will report back in April 2013. IDH is using this experience to provide feedback on our experiences and learn more about the implications of the new system. IDH is planning ahead to ensure that we can continue to deliver the same high quality of care that our patients expect, regardless of any changes made to the dental contract.

Dentistry is a vital part of the NHS and we are pleased that the Government has recognised some of the challenges which NHS efficiency savings and structural changes will have on the provision of excellent patient care services.

IDH is focused on building capability to deliver excellence in patient care across both NHS and private markets. However, we also recognise that diverse opportunities exist for the provision of additional primary care services in the future. This is reflected in our aim to be “more than a dentist” and to expand our services into other areas of primary care as the market develops. With a network of healthcare practices covering the majority of localities in the UK, the company is well placed to engage with the new commissioning landscape and become a partner of choice in delivering quality NHS services within the community. ■

¹ 2009/10 market value - Laing & Buisson's Dentistry UK Market Report 2011

Summary Financial Performance

A summary of IDH's financial performance together with the Key Performance Indicators (KPIs) both financial and non-financial are set out in the table below. These KPIs are fundamental to the IDH business and reflect focus on the drivers of value that will enable and inform the management team to achieve the IDH business plans, strategic aims and objectives.

Financial KPIs

| £m, period ending March | 11 Months 2012 |
|--|----------------|
| NHS Revenue | 273 |
| Private Revenue | 37 |
| Total Revenue | 310 |
| Gross Profit | 146 |
| EBITDA before exceptional items | 52 |
| Net Bank Debt | 250 |
| Net cash inflow after returns on investment & servicing of finance excluding one off issue costs of £22m | 19 |
| Net cash inflow from operating activities | 35 |
| Employees | 4,720 |
| Number of Practices | 497 |
| £m, period ending March | 12 Months 2012 |
| Total UDAs delivered (millions) | 10.6 |
| Total UOA's delivered (millions) | 0.3 |
| Compliments / Complaints ratio | 1:0.06 |

UDA – Units of Dental Activity, measures set by the PCT as part of the contract terms.

UOA – Units of Orthodontic Activity, measures set by the PCT as part of the contract terms.

Employees – excluding self-employed dentists.

With regards to net debt, management defines this as all external bank debt and therefore excludes all shareholder loan notes and preference shares. The closing net external bank debt as at 31 March 2012 was as follows:

| | Drawn £m |
|-----------------------------------|--------------|
| Senior Bank Loans | 254.8 |
| Capital Expenditure / Acquisition | 14.1 |
| Cash at bank | (19.0) |
| Total | 249.9 |

In addition, the Group also has significant additional facilities to support the future growth of the business including:

- A Revolving Facility of £10.0m, of which £1.8m has been drawn to cover the provision of a letter of credit,
- An undrawn Acquisition/ Capex Facility of £70.9m.

In terms of bank covenants the Group financial performance is measured on a quarterly basis. The covenant measures are:

1. Cashflow Cover: consolidated cashflow to debt service;
2. Interest Cover: Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") to net finance charges; and,
3. Debt Cover: Total Net Debt to EBITDA.

All covenants were passed with ample headroom each quarter.

A detailed review of our financial performance is set out in the statutory accounts of Turnstone Equityco 1 Limited, the holding company of IDH, and available on our website.



Board of Directors & Key Operational Managers



Paul Pindar

Non-Executive Chairman

Paul joined the Turnstone Equityco 1 Limited Board in July 2012 as non-executive Chairman. Paul is also CEO of Capita plc, having joined Capita in 1987 from 3i, after advising Capita on its management buy-out. He became Chief Executive in 1999.



Richard Smith

Chief Executive Officer

Richard Smith was appointed as Chief Executive of Integrated Dental Holdings in July 2010, successfully leading the business through the merger of IDH and ADP. He was appointed to the Turnstone Equityco 1 Limited Board in July 2012. Previously Richard was Managing Director of Lloyds Pharmacy, a Member of the Group Executive Committee of Celesio and a Regional Director of Celesio Pharmacies Europe. Richard joined Lloyds Pharmacy in 2005, achieving outstanding growth and taking the business from a chain of 1,300 pharmacies turning over £1.3 billion to 1,750 locations with 17,000 employees and an annual turnover of £1.8 billion. Prior to Lloyds he held senior positions at Somerfield PLC, BAT, and Unilever.



Mark Robson

Chief Financial Officer

Mark Robson joined Integrated Dental Holdings in February 2012 and he was appointed to the Turnstone Equityco 1 Limited Board in July 2012. Mark is a qualified chartered accountant with extensive experience in the consumer and leisure retail sectors including public and private equity owned entities. He has previously held CFO roles at Thorntons PLC (confectionary retailing and production), Somerfield Limited (food retail), SFI Holdings Limited (pub and bar chain), Claire's Accessories (UK) Limited (children's fashion) and Alldays PLC, the convenience store group.



Steve Williams

Clinical Services Director

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



Fiona Morgan

Business Capability Director

Fiona Morgan joined IDH as Business Capability Director in November 2011. She is focused on building capability in the people, process and systems that will underpin the planned growth. Prior to joining IDH, she joined the Board of Lloyds Pharmacy in 2007 and developed the business transformation capability that redefined the technology strategy and people capability required to deliver the successful growth of the Lloyds store network. Prior to this Fiona worked in a number of senior roles at the Prudential, Tesco and William Hill.



Ian Parpworth

Chief Operations Officer

Ian joined IDH in July 2012. Prior to joining IDH as COO, Ian Parpworth was Operation Director for 2 years at O2 with responsibility for the trading and financial performance of 350 retail stores and 3000 people. From 2007 to 2010 Ian was Director of Retail for "3" where he built their business from 50 to 300 stores in 12 months. Ian is focused on the execution of operational standards and service to ensure sales and profit targets are delivered.



Eric Kump

Non-Executive Director,
The Carlyle Group

Eric Kump joined Carlyle in 2010 as a Managing Director with responsibility for coverage of the UK market with over 17 years of private equity experience. Prior to joining Carlyle, Eric was a Managing Director and head of the London based Private Equity team of Dubai International Capital ("DIC"). While at DIC he was on the board of investments including Alliance Medical, Almatix, Travelodge, Mauser Group and Merlin Entertainments Group. Prior to that, he was a Managing Director with Merrill Lynch Global Private Equity ("MLGPE") where he was a member of the investment committee and a Director of numerous portfolio companies. While at MLGPE, he focused on investments across a range of industries including healthcare, consumer, distribution, industrial and , financial services.



Alex Stirling

Non-Executive Director,
The Carlyle Group

Alex is a Director in Carlyle's European buyout team, with a particular focus on business and consumer services sectors. Prior to joining Carlyle, Alex was an Investment Director with Apax Partners and PPM Capital. Alex is a member of the Board of Directors of Turnstone Equityco 1 Limited and is, or has previously been, a Board Member or Observer of the RAC, NBTY Europe, Orizonia, Focus Wickes, PCM Uitgevers and Promethean. He received an MBA from Harvard Business School and a BA from Cambridge University.



Jonathan Heathcote

Non-Executive Director,
Palamon Capital Partners

Jonathan is a Partner at Palamon Capital Partners and has been investing in European healthcare for the past 14 years. Prior to his career in private equity, he was a Senior Engagement Manager at McKinsey & Company and an officer in the Royal Marines. Jonathan is a member of the Board of Directors of Turnstone Equityco 1 Limited. He received an MA from Oxford University and holds an MBA from Harvard Business School.



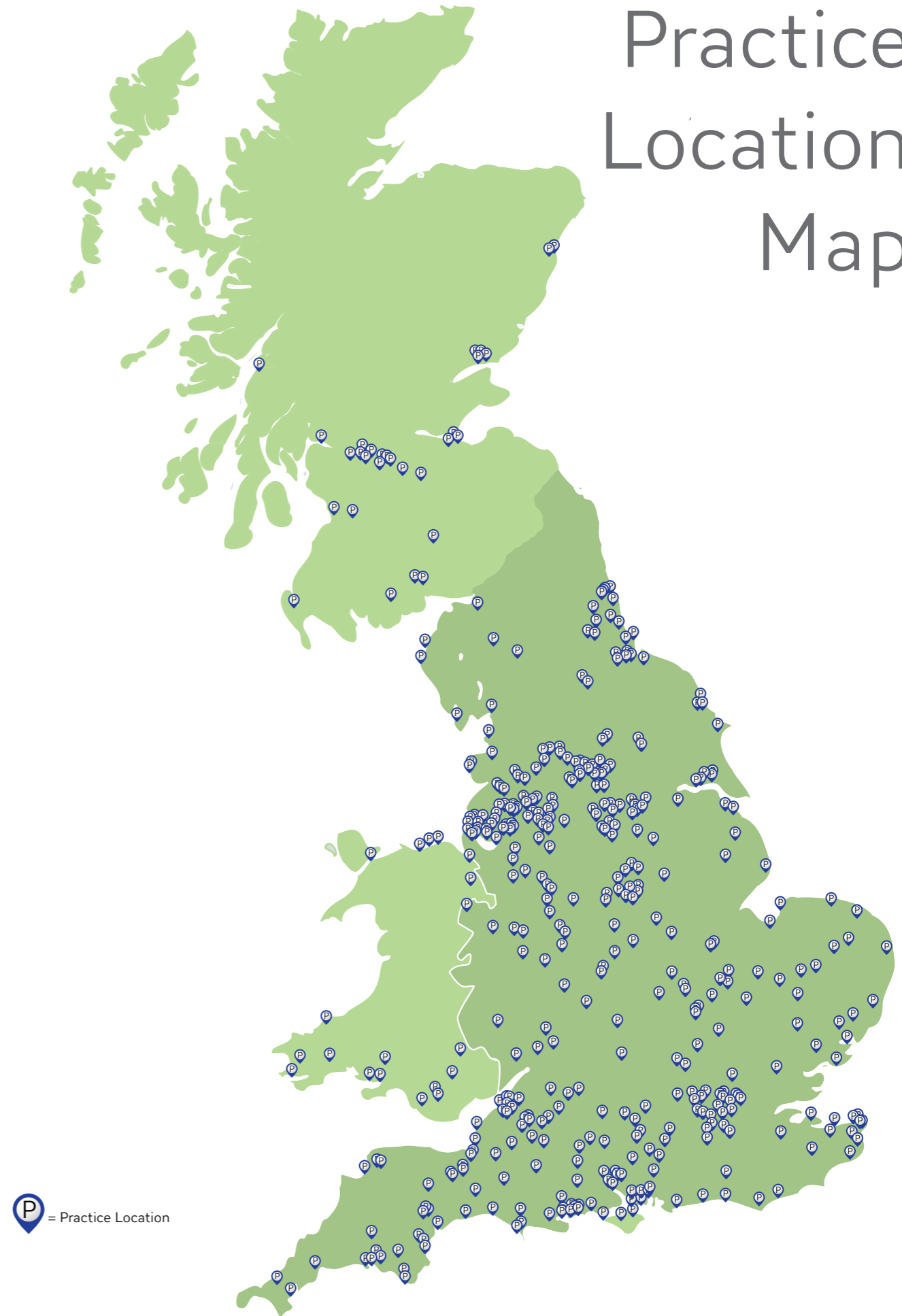
Jean Bonnavion

Non-Executive Director
Palamon Capital Partners

Jean is a Principal at Palamon Capital Partners. Jean has served as an observer or member of the Board for many Palamon investments including Turnstone Equityco 1 Limited, Towry, SAV Credit and Nordax. Prior to joining Palamon in 2005, Jean spent eight years working in management consulting for Bain & Company in Paris and London. He also worked for the French Railways in London for two years as part of the Eurostar marketing team. Jean graduated from ESSEC in Paris and holds an MBA from Harvard Business School.

Note: Turnstone Equityco 1 Limited is the holding company for the operations of the IDH group.

Practice Location Map





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