Turnstone Equityco 1 Limited

Annual report and consolidated financial statements

Registered number 07496756

Year ended 31 March 2014

Contents

Strategic report for the year ended 31 March 2014

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

Principal activities

The principal activity of the company during the year was to act as a holding company. The principal activity of the group of companies owned by Turnstone Equityco 1 Limited ('the group') is the operation of dental practices.

The group provides a range of National Health Service ('NHS') and private dental services from practices located in England, Wales and Scotland and support services to other third party dental practices.

Business ownership

The IDH 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 (trading as 'IDH'). 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 2014, IDH senior managers held 15.5% of the equity interest in the company.

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	64.4%	400	20.1%	1,682	84.5%
'A2' Ordinary ('000)	18	0.9%	-	-	-	-	18	0.9%
'B' Ordinary ('000)	291	14.6%	-	-	-	-	291	14.6%
Total	**309**	**15.5%**	**1,282**	**64.4%**	**400**	**20.1%**	**1,991**	**100.0%**

Business review

The group owns and manages a national chain of dental practices, with 585 sites at 31 March 2014 (2013: 532). In common with the majority of dental practices in the UK, the group's practices offer a mixture of NHS and private treatment to patients. With around 85% of its revenue coming from NHS contracts (2013: 87%), the group is the largest provider of NHS dentistry in the UK.

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

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 to 31 March 2014, the group acquired 60 practices, opened 1 greenfield site, merged 7 practices and completed the disposal of 1 practice.

Consolidated profit and loss account
Turnover for the year ended 31 March 2014 amounted to £407.5 million (2013: £349.0 million) and profit on ordinary activities before interest and taxation was £18.1 million (2013: £10.9 million).

After charging goodwill amortisation of £34.0 million (2013: £29.3 million), depreciation of £13.6 million (2013: £11.8 million) and crediting the amortisation of grant income of £0.5 million (2013: £0.7 million), earnings before interest, tax and exceptional items ('EBIT before exceptional items') was £20.7 million (2013: £15.9 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 2014 EBITDA before exceptional items was £67.8 million (2013: £56.3 million).

Strategic report for the year ended 31 March 2014 *(continued)*

Business review *(continued)*

Finance expenses of £95.5 million (2013: £70.3 million) and the loss arising from the disposal of one dental practice of £0.4 million (2013: loss of £3.6 million from the disposal of seven practices) results in a loss on ordinary activities before tax of £77.3 million (2013: £59.4 million). The loss on ordinary activities after tax for the year amounts to £75.3 million (2013: £57.5 million).

Consolidated balance sheet
Goodwill and intangible assets amount to £614.8 million (2013: £558.0 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 three years and of the DBG Topco Limited group of companies (together 'the Dental Buying Group' or 'DBG') on 16 April 2013. Tangible assets of £83.3 million (2013: £68.2 million) include £24.5 million (2013: £15.6 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 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. The proceeds were used to repay the group's existing bank debt along with £50 million of the outstanding shareholder debt. 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') to fund future acquisitions of dental practices.

At 31 March 2014, borrowings amounted to £858.7 million (2013: £740.7 million). This comprises £408.5 million (2013: £288.1 million) of senior borrowings including the senior secured, floating rate and second lien notes in addition to amounts drawn under the SSRCF of £22.0 million, net of unamortised arrangement fees; £417.9 million (2013: £406.5 million) of 12% loan notes; and £32.3 million (2013: £29.3 million) of preference shares, including interest and accrued dividends of £112.0 million (2013: £82.8 million).

The 15% loan notes (2013: £14.8 million outstanding) were repaid in full on 30 May 2013 as part of the re-financing described above.

Consolidated cash flow statement
The net cash inflow from operating activities of £54.7 million (2013: £53.8 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 during the year, the closing cash balance was £6.9 million (2013: £42.5 million). The cash position at 31 March 2013 reflects the drawdown of acquisition financing through debt facilities and loan notes in advance of a number of large acquisitions made during the first week of April 2013.

Subsequent events

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

On 9 May 2014, the group raised £100 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the Super Senior Revolving Credit Facility and for general corporate purposes.

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

Principal risks & uncertainties

Regulatory risks
The results of the group are impacted by the regulatory environment related to health and safety, quality of care and data protection, principally through the costs related to compliance. The group's 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.

Strategic report for the year ended 31 March 2014 *(continued)*

Principal risks & uncertainties *(continued)*

NHS contract
The NHS contract for the dentist in England and Wales, introduced in April 2006, provides clear benefits to the group, both in terms of income stability and visibility and therefore dentist retention. However, as with any system, there are likely to be modifications to it, potentially through the introduction of a new contract structure. The extent of such modifications and the impact which they may have on the group, either in a favourable or adverse manner have not yet been drafted into legislation. However, IDH maintains a close dialogue with the Government in developing the new contract and is currently involved in seven new contract pilots 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 invested in its own training resource, the IDH Academy, which opened on 29 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 group'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. Cash deposits are held with institutions with a minimum credit rating of BBB (Standard and Poor's) or Baa (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.

Market risk
Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income.

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

Following the re-financing completed on 30 May 2013, the group entered into two fixed interest rate contracts totalling £125 million. In addition to the fixed rate nature of a further £275 million of the group's senior secured and second lien notes, interest charges are fixed in respect of 95% of the group's total drawn debt (2013: 71%). Further details are set out in note 17.

Strategic report for the year ended 31 March 2014 *(continued)*

Principal risks & uncertainties *(continued)*

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	2014 £m	2014 % revenue	2013 £m	2013 % revenue
NHS turnover	346	84.9%	305	87.5%
Private turnover	54	13.4%	44	12.5%
Other turnover	8	1.7%	-	0.0%
Total turnover	**408**	**100.0%**	**349**	**100.0%**
Gross profit	197	48.3%	165	47.4%
EBITDA before exceptional items	**68**	**16.6%**	**56**	**16.1%**
Operating profit	19	4.6%	14	4.2%
Net bank and bond debt	409		288	
Net cash inflow from operating activities	55		54	
Net cash inflow after returns on investment & servicing of finance *(excluding issue costs of £15m in 2014)*	29		34	

Year ended 31 March	2014	2013
Like-for-like private turnover growth	8.6%	2.8%
£/UDA annual contract uplift	1.5%	0.5%
Administrative expenses as a percentage of turnover	32.0%	31.8%
Number of practices	585	532
Employees (average number)	5,622	4,931
UDA delivery (% of total contract)	96.7%	96.0%
Total UDAs delivered (million)	12.3	10.6
Total UOAs delivered (million)	0.4	0.3

(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 2014 *(continued)*

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 in private dentistry;
- 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
20 June 2014

Directors' report for the year ended 31 March 2014

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

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 (2013: £nil).

Directors

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

J Bonnavion	
L Elson	(Appointed 30 November 2013)
J Heathcote	(Resigned 30 November 2013)
E Kump	
P Pindar	
WHM Robson	
T Scicluna	(Appointed 30 November 2013)
R Smith	(Resigned 30 November 2013)
A Stirling	

The directors benefitted from qualifying third party indemnification provisions in place during the financial year and to the date of this report. 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 2014 *(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 company made no political or charitable contributions during the year (2013: £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

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

On 9 May 2014, the group raised £100 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the Super Senior Revolving Credit Facility and for general corporate purposes.

In addition, to the date of this report, the group has acquired a further seven 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
20 June 2014

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 the financial statements, defined below:

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

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

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by Turnstone Equityco 1 Limited, comprise:

- Consolidated profit and loss account for the year ended 31 March 2014;
- Consolidated balance sheet as at 31 March 2014;
- Company balance sheet as at 31 March 2014;
- Consolidated cash flow statement for the year ended 31 March 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group and parent company 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and consolidated financial statements (the "Annual report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Turnstone Equityco 1 Limited
(continued)

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 parent 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.

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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Martin Heath

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
20 June 2014

Consolidated profit and loss account

for the year ended 31 March 2014

	Note	2014 Acquisitions £'000	2014 Continuing operations £'000	2014 Total £'000	2013 £'000
Turnover	2	30,066	377,445	407,511	348,952
Cost of sales		(13,516)	(197,333)	(210,849)	(183,508)
Gross profit		16,550	180,112	196,662	165,444
Other operating income		5	1,661	1,666	1,812
Administrative expenses		(12,644)	(167,112)	(179,756)	(152,762)
Operating profit	3	3,911	14,661	18,572	14,494
Analysed as					
EBITDA before exceptional items		7,779	59,998	67,777	56,334
Depreciation		(499)	(13,124)	(13,623)	(11,815)
Amortisation of goodwill		(3,318)	(30,671)	(33,989)	(29,329)
Amortisation of grant income		-	510	510	666
Exceptional items - restructuring costs	3	(51)	(2,052)	(2,103)	(1,362)
Operating profit		3,911	14,661	18,572	14,494
Loss on disposal of assets	6			(442)	(3,631)
Profit on ordinary activities before interest and taxation				18,130	10,863
Interest receivable and similar income	7			67	37
Interest payable and similar charges	7			(95,495)	(70,279)
Loss on ordinary activities before taxation				(77,298)	(59,379)
Tax on loss on ordinary activities	8			1,980	1,908
Loss on ordinary activities after taxation				(75,318)	(57,471)
Equity minority interests				(50)	80
Loss for the financial year	21			(75,368)	(57,391)

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

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

The notes on pages 14 to 43 form part of these financial statements.

Consolidated balance sheet
at 31 March 2014

	Note	2014		2013	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	*10*		**614,834**		557,994
Tangible assets	*11*		**83,268**		68,179
			698,102		626,173
Current assets					
Stock	*13*	**7,573**		6,238	
Debtors	*14*	**45,026**		28,578	
Cash at bank and in hand		**6,950**		42,516	
		59,549		77,332	
Total assets			**757,651**		703,505
Capital and reserves					
Called up share capital	*19*	**30**		30	
Share premium account	*20*	**1,961**		1,961	
Profit and loss account	*21*	**(184,323)**		(108,955)	
Total shareholders' deficit	*22*		**(182,332)**		(106,964)
Minority interest			**(34)**		(84)
Total capital employed			**(182,366)**		(107,048)
Creditors: amounts falling due within one year	*15*		**65,245**		65,951
Non-current liabilities					
Creditors: amounts falling due after more than one year	*16*		**864,555**		729,625
Provisions for liabilities and charges	*18*		**10,217**		14,977
			874,772		744,602
Total equity and liabilities			**757,651**		703,505

The notes on pages 14 to 43 form part of these financial statements.

The financial statements were approved by the Board of Directors on 20 June 2014 and were signed on its behalf by:

WHM Robson
Director

Company balance sheet
at 31 March 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	*12*		-		-
Current assets					
Debtors	*14*		2,675		2,433
Cash at bank and in hand			13		-
			2,688		2,433
Total assets			2,688		2,433
Capital and reserves					
Called up share capital	*19*	30		30	
Share premium account	*20*	1,961		1,961	
Profit and loss account	*21*	675		439	
Total shareholders' funds	*22*		2,666		2,430
Creditors: amounts falling due within one year	*15*		22		3
Non-current liabilities					
Creditors: amounts falling due after more than one year	*16*		-		-
Total equity and liabilities			2,688		2,433

The notes on pages 14 to 43 form part of these financial statements.

The financial statements were approved by the Board of Directors on 20 June 2014 and were signed on its behalf by:

WHM Robson
Director

Consolidated cash flow statement

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	*26*	**54,666**	53,818
Returns on investments and servicing of finance	*27*	**(41,422)**	(19,515)
Net cash inflow after returns on investment & servicing of finance		**13,244**	34,303
Taxation		**245**	(336)
Capital expenditure	*27*	**(23,535)**	(14,467)
Acquisitions and disposals	*27*	**(93,554)**	(45,623)
Net cash outflow before financing		**(103,600)**	(26,123)
Financing	*27*	**68,034**	49,620
(Decrease)/increase in cash in the financial year	*29*	**(35,566)**	23,497

The notes on pages 14 to 43 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 2014. 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 goods or services provided to the extent that the group has obtained the right to consideration. 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.

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). In the case of raw materials and consumables, cost includes purchase price less trade discounts, transport and handling costs, calculated on an average price basis over the financial year. 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 the National Employment Savings Trust ('NEST'), a defined contribution pension scheme, on behalf of its employees. 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 an independently administered fund.

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. Contributions to the scheme are charged to the profit and loss account as incurred. The amounts for other finance income and the actuarial loss arising from the actual and expected return on assets and the changes in assumptions underlying the present value of scheme liabilities have not been recognised in the profit and loss account and the statement of total recognised gains and losses on the grounds of materiality, but are disclosed in note 25.

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 turnover, loss on ordinary activities before taxation and net liabilities of the group relate to its principal activity of dental services. All services are provided in the United Kingdom.

3 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	**13,623**	11,815
Amortisation of goodwill	**33,989**	29,329
Operating lease rentals: plant and machinery	**862**	666
Operating lease rentals: land and buildings	**10,970**	9,644
Other operating income	**(1,666)**	(1,812)
Amortisation of grant income	**(510)**	(666)
Exceptional items - restructuring costs	**2,103**	1,362

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 2014 and 31 March 2013 relate to redundancy payments to staff and associated legal and professional fees.

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

Amounts receivable by the auditors and their associates in respect of:	2014 £'000	2013 £'000
Fees payable to the company's auditors for the audit of the parent company and the consolidated financial statements	**22**	21
Fees payable to the company's auditors and their associates for other services:		
The audit of the company's subsidiaries	**242**	177
Other assurance services	**25**	-
	289	198

Notes to the financial statements *(continued)*

3 Operating profit *(continued)*

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

Amounts receivable by the auditors and their associates in respect of:	**2014 £'000**	2013 £'000
Tax advisory services	**32**	-
Other advisory services	**674**	-
	706	-

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.

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:

	2014 No of employees	2013 No of employees
Surgery staff	**3,377**	2,943
Administration staff	**2,245**	1,988
	5,622	4,931

The staff costs of these persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	**83,642**	66,849
Social security costs	**5,936**	4,602
Other pension costs	**342**	-
	89,920	71,451

Notes to the financial statements *(continued)*

5 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2013: £nil).

	Group 2014 £'000	Group 2013 £'000
Directors' emoluments	**978**	748
Benefits in kind	**29**	21
Compensation for loss of office	**458**	-
	1,465	769

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 £727,000 (2013: £407,000), which included compensation for loss of office of £458,000 (2013: £nil) and benefits in kind of £7,000 (2013: £2,000).

6 Loss on disposal of assets

	Group 2014 £'000	Group 2013 £'000
Loss on disposal of freehold properties	**(281)**	-
Loss on disposal/closure of practices	**(163)**	(3,630)
Profit/(loss) on disposal of other tangible fixed assets	**2**	(1)
	(442)	(3,631)

During the year, the group disposed of one dental practice (2013: seven). Six of the seven practices disposed of during the previous year resulted from an Office of Fair Trading review of the acquisitions of IDH and ADP in May 2011.

Notes to the financial statements *(continued)*

7 Interest and similar items

	Group 2014 £'000	Group 2013 £'000
Interest payable and similar charges		
Senior secured notes	**(10,053)**	-
Floating rate notes	**(5,817)**	-
Second lien notes	**(5,340)**	-
Bank loans and overdrafts	**(2,982)**	(14,264)
Fixed rate interest swap charges	**(1,829)**	(3,930)
Amortisation of issue costs of bank loans and related fees	**(17,918)**	(3,438)
Loan note interest	**(46,105)**	(43,711)
Preference share dividends	**(3,476)**	(3,130)
Other interest payable – unwinding of discount (note 18)	**(291)**	(353)
Syndicate charges	**(1,684)**	(1,453)
Total interest payable and similar charges	**(95,495)**	(70,279)
Interest receivable and similar income		
Bank deposit interest	**67**	37
Total interest receivable and similar income	**67**	37
Net interest payable and similar items	**(95,428)**	(70,242)

8 Tax on loss on ordinary activities

a) Analysis of tax credit for the financial year

	Group 2014 £'000	Group 2013 £'000
Current tax		
Corporation tax at 23% (2013: 24%)	-	-
Total current tax charge for the year (note 8(b))	-	-
Deferred tax		
Deferred tax credit in the year	**(2,735)**	(2,304)
Adjustment in respect of the previous year	**(265)**	159
Effect of change in tax rate	**1,020**	237
Total deferred tax credit for the year	**(1,980)**	(1,908)
Tax credit on loss on ordinary activities	**(1,980)**	(1,908)

Notes to the financial statements *(continued)*

8 Tax on loss on ordinary activities *(continued)*

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

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

	Group 2014 £'000	Group 2013 £'000
Loss on ordinary activities before taxation	**(77,298)**	(59,379)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	**(17,779)**	(14,251)
Effects of:		
Depreciation in the year in excess of capital allowances	**2,699**	1,853
Expenses not deductible for tax purposes	**15,049**	13,569
Unrelieved tax losses	**436**	-
Utilisation of brought forward losses	**(106)**	(1,102)
Other short term timing differences	**(299)**	(69)
Current tax credit for the year (note 8(a))	**-**	-

Factors affecting current and future tax charges

The group has estimated non-trade losses of £22.2 million (2013: £29.7 million) available for carry forward against future non-trade profits. Deferred tax assets of £4.4 million (2013: £6.8 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 24% to 23% from 1 April 2013. Further reductions to 21% from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted in the Finance Act 2013 and the deferred tax asset at 31 March 2014 has been re-measured accordingly.

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 £236,000 (2013: £241,000) arises solely from interest on loans to group undertakings.

Notes to the financial statements *(continued)*

10 Intangible fixed assets

Group	**Goodwill £'000**
Cost	
At 1 April 2013	613,417
Practice acquisitions (note 30)	30,638
Subsidiary acquisitions (note 30)	59,591
Fair value adjustments	600
At 31 March 2014	**704,246**
Accumulated amortisation	
At 1 April 2013	55,423
Charge for the year	33,989
At 31 March 2014	**89,412**
Net book value	
At 31 March 2014	**614,834**
At 31 March 2013	557,994

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 2013 financial statements. The cumulative effect of these changes is to increase the goodwill arising from the acquisitions undertaken during the year ended 31 March 2013 by £600,000. The adjustments principally reflect 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
Cost				
At 1 April 2013	2,711	2,471	85,081	90,263
Acquisitions (note 30)	1,823	75	3,010	4,908
Additions	2,627	125	21,725	24,477
Disposals	(556)	(24)	(278)	(858)
At 31 March 2014	**6,605**	**2,647**	**109,538**	**118,790**
Accumulated depreciation				
At 1 April 2013	38	569	21,477	22,084
Charge for the year	71	268	13,284	13,623
Disposals	(18)	(8)	(159)	(185)
At 31 March 2014	**91**	**829**	**34,602**	**35,522**
Net book value				
At 31 March 2014	**6,514**	**1,818**	**74,936**	**83,268**
At 31 March 2013	2,673	1,902	63,604	68,179

As at 31 March 2014, no assets are held under finance leases or hire purchase contracts (2013: none).

Company

The company does not own any tangible fixed assets (2013: none).

Notes to the financial statements *(continued)*

12 Fixed asset investments

Company	**£'000**
Investments at cost in subsidiary undertaking at 1 April 2013 and 31 March 2014	-

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 92.6% of the ordinary share capital and Denture Excellence Limited, in which the group holds 75% of the ordinary share capital) and 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	Non-trading	England
@TheDentist Ltd	Dormant	England
1A Dental Practice Limited	Dental practices	England
Adelstone Dental Care Limited	Dental practices	England
Aesthetix Limited	Dental practices	England
ADP Ashford Ltd	Dental practices	England
IDH Limited	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
IDH Mansfield Ltd	Dental practices	England
ADP No.1 Limited	Non-trading	England
ADP Yorkshire Ltd	Dormant	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
Bramora Limited	Dental practices	England
Broomco (4270) Limited	Non-trading	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
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
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
Fleetwood Practice Limited	Dental practices	England
Healthcare Buying Group Limited	Non-trading	England
Hessle Grange Dental Care Limited	Dental practices	England
Hillcrest Ionian Limited	Dental practices	England
Hirst and O'Donnell Ltd	Dental practices	England
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
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
MyDentist Limited	Dormant	England
Natural Management Ltd	Non-trading	England
Offerton Fold Dental Practice Ltd	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
Phoenix Dental Limited	Dental practices	England
PJ Burridge 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
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

Notes to the financial statements *(continued)*

12 Fixed asset investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
South Tyneside Smiles Limited	Dental practices	England
Speed 8599 Limited	Dormant	England
Speed 8600 Limited	Dormant	England
TAG Medical Limited	Medical equipment and testing	England
The Crescent Specialist Dental Centre Ltd	Dental practices	England
The Domiciliary Dental Practice Limited	Dental practices	England
The Plains' Dental Practice Limited	Dental practices	England
The Village Practice Ltd	Dental practices	England
Unnati Limited	Dental practices	England
Viren Patel and Associates Limited	Non-trading	England
Westhoughton (No 1) 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

*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
1A Dental Practice Partnership
1A Group Dental Practice Partnership
Amit Rai and Fizan Tahir Partnership
Armley Dental Practice Partnership
Aspire Dental Practice Partnership
Bank House Dental Practice
Bolton and Bury Dental Practice Partnership
Brassey Avenue Dental Practice Partnership
Brinsworth Lane Dental Care Partnership
Caldy Road Dental Practice Partnership
Carcroft Dental Practice Partnership
Castle View House Dental Practice 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
Dividy Road Dental Practice Partnership
Fearnhead Dental Surgery Partnership
Feidr Fair Partnership Dental Practice
Filey Dental Care Centre 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
High Street Dental Practice Partnership
Hollinwood Dental Practice Partnership
Horncastle Dental Practice Partnership
Jefferies Reed and Associates

Name of partnership
Red Rose Dental Group
Rhos Road Dental Practice Partnership
Rhyl and Abergele Elwy Dental Partnership
River Wye Dental Practice Partnership
Severn Street Dental Practice Partnership
Shelldrake Drive Dental Practice Partnership
Sneyd Green Dental Practice Partnership
Stanhope Road Dental Practice Partnership
The Abbey Parade Dental Practice Partnership
The Birley Moor Dental Practice Partnership
The Boulevard Dental Practice Partnership
The Burnby Dental Practice Partnership
The Burnham Dental Practice Partnership
The Bury Dental Practice Partnership
The Caulfield Dental Surgery Partnership
The Church House 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 Haverflatts Lane Dental Practice Partnership
The Helston Dental Practice Partnership
The Kenton Park Dental Practice Partnership
The Killingworth Dental Practice Partnership
The Kings Norton Dental Practice Partnership
The Lacey Dental Practice Partnership
The Loddon Dental Practice Partnership
The London Road Dental Practice Partnership
The Lyppard Dental Centre Practice Partnership
The Marden House Dental Practice Partnership
The Nelson Street Dental Practice Partnership
The Newcastle Dental Care Practice Partnership
The Newland Avenue and Castle Street Dental Practice Partnership

Notes to the financial statements *(continued)*

12 Fixed asset investments *(continued)*

Name of partnership
JF Scott Dental Surgeon Partnership
Kettering Central Dental Practice Partnership
Kings Specialist Dental Practice Partnership
Lambert Coutts & Associates Dental Practice Partnership
Low Fell Dental Practice Partnership
Lyme Dental Surgery Partnership
Mayo Dental Clinic Partnership
Mill Dental Practice Partnership
Mostyn House Dental Practice Partnership
Mount Folly Square Dental Practice Partnership
Narborough Road South Dental Practice Partnership
Newcastle and Wallsend Dental Practice Partnership
North Marine Road Dental Practice Partnership
Northgate Dental Health Practice Partnership
Old Brewary Yard Dental Practice Partnership
Picton Road Dental Practice Partnership
Railway Road Dental Practice Partnership

Name of partnership
The Peterborough Dental Practice Partnership
The Peterlee Dental Practice Partnership
The Queen Street Dental Practice Partnership
The Sea Road Dental Practice Partnership
The Southwick and Whitburn Dental Practice Partnership
The Trewergie Dental Practice Partnership
The Warner Street Dental Practice Partnership
The White House Dental Practice Partnership
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

Group

The group does not own any fixed asset investments (2013: £Nil).

13 Stock

	Group 2014 £'000	Group 2013 £'000
Raw materials and consumables	**7,573**	6,238

The company holds no stock (2013: £Nil).

Notes to the financial statements *(continued)*

14 Debtors

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Trade debtors	**3,938**	**-**	2,259	-
Amounts owed by group undertakings	**-**	**2,675**	-	2,433
Amounts owed by related undertakings	**332**	**-**	161	-
Other debtors	**10,210**	**-**	756	-
Prepayments and accrued income	**20,894**	**-**	17,513	-
Corporation tax recoverable	**135**	**-**	336	-
Deferred tax asset	**9,517**	**-**	7,553	-
	45,026	**2,675**	28,578	2,433

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 2014 includes accrued interest of £719,000 (2013: £443,000).

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 2014 £'000	Group 2013 £'000
Accelerated capital allowances	**10,981**	9,341
Other short term timing differences	**(1,464)**	(1,788)
	9,517	7,553

	Group £'000
At 1 April 2013	7,553
Credit in the year (note 8)	2,735
Adjustment in respect of the previous year (note 8)	265
Effect of change in tax rate (note 8)	(1,020)
Arising from the acquisition of subsidiary undertakings (note 30)	(16)
At 31 March 2014	**9,517**

Notes to the financial statements *(continued)*

15 Creditors: amounts falling due within one year

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Bank and other borrowings (note 17)	-	-	10,893	-
Trade creditors	12,877	-	8,430	-
Amounts owed to group undertakings	-	22	-	3
Corporation tax	197	-	224	-
Other taxation and social security costs	1,899	-	1,330	-
Deferred consideration for acquisitions	5,329	-	2,912	-
Accruals and deferred income	44,943	-	42,162	-
	65,245	**22**	65,951	3

Included within accruals and deferred income falling due within one year are unamortised Government grants totalling £0.32 million (2013: £0.51 million). The amount amortised during the year was £0.51 million (2013: £0.67 million).

Included within bank and other borrowings as at 31 March 2013 are unamortised issue costs and associated professional fees of £3.74 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 2013	1,061
Grants received during the year	19
Unamortised grants acquired through acquisition of subsidiary	126
Amortisation (note 3)	(510)
At 31 March 2014	**696**

16 Creditors: amounts falling due after more than one year

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Bank and other borrowings (note 17)	408,535	-	277,211	-
Loan notes	417,883	-	421,279	-
Preference shares classified as liabilities	32,259	-	29,282	-
Deferred consideration for acquisitions	5,499	-	1,302	-
Accruals and deferred income	379	-	551	-
	864,555	-	729,625	-

The above accruals and deferred income relate wholly to unamortised Government grants.

Included within bank loans are £13.47 million (2013: £12.12 million) of unamortised loan issue costs and associated professional fees.

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due after more than one year *(continued)*

Loan stock of £314.51 million was issued on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. Interest accrues on the principle amount at a rate of 12% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 11 May 2021. During the year, £17.32 million of accrued interest was settled. At 31 March 2014, interest of £103.38 million was accrued on these notes (2013: £75.26 million).

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

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

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

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

A total of 23,627,422 £1 preference shares were issued at par on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. The preference shares have a fixed, cumulative dividend of 12% per annum and are repayable on the earlier of 11 May 2021 or an exit by majority shareholders. During the year, £0.50 million of accrued dividends were paid. At 31 March 2014, 23,627,422 £1 preference shares were in issue (2013: 23,627,422). Preference share dividends of £8.63 million were accrued at 31 March 2014 (2013: £5.65 million).

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 2014 £'000	Group 2013 £'000
Senior secured, floating rate and second lien notes		
Between two and five years	**325,000**	-
After five years	**75,000**	-
Total senior secured, floating rate and second lien notes	**400,000**	-
Bank loans		
Less than one year	**-**	14,630
Between one and two years	**-**	23,130
Between two and five years	**22,000**	266,206
Total bank loans	**22,000**	303,966
Less: unamortised arrangement fees and related costs	**(13,465)**	(15,862)
	408,535	288,104

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. The proceeds were used to repay the group's existing bank debt along with £50 million of the outstanding shareholder debt. 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').

- 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 £125 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.
- £22 million has been drawn down against the £100 million SSRCF as at 31 March 2014. 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 cancelled its existing interest rate swap contracts and entered into two new interest rate contracts to swap LIBOR for a fixed rate. One contract for a notional 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 2014 was £2.1 million.

18 Provisions for liabilities

Group	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2013	6,248	8,729	14,977
Arising from acquisitions (note 30)	557	384	941
Fair value adjustments	-	(111)	(111)
Charged to the profit and loss account	-	34	34
Utilised in the financial year	(1,176)	(4,739)	(5,915)
Unwinding of discount	255	36	291
At 31 March 2014	**5,884**	**4,333**	**10,217**

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 £7.2 million (2013: £7.7 million) has been discounted to present value using a rate of 5% (2013: 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	2014 £'000	Number issued	2013 £'000
Allotted, called up and fully paid				
"A1" Ordinary shares of £0.01	1,681,763	17	1,681,763	17
"A2" Ordinary shares of £0.04	18,236	1	18,236	1
"B" Ordinary shares of £0.04	291,332	12	291,332	12
	1,991,331	30	1,991,331	30

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

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

20 Share premium account

Group and company	2014 £'000	2013 £'000
At the beginning of the year	1,961	1,890
Premium arising on shares issued during the year	-	71
At the end of the year	1,961	1,961

21 Profit and loss account

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
At the beginning of the year	(108,955)	439	(51,564)	198
(Loss)/profit for the financial year	(75,368)	236	(57,391)	241
At the end of the year	(184,323)	675	(108,955)	439

Notes to the financial statements *(continued)*

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

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
(Loss)/profit for the financial year	**(75,368)**	**236**	(57,391)	241
Ordinary shares issued	**-**	**-**	3	3
Share premium arising on issue of ordinary shares	**-**	**-**	71	71
Net increase in shareholders' (deficit)/funds	**(75,368)**	**236**	(57,317)	315
Opening shareholders' (deficit)/funds	**(106,964)**	**2,430**	(49,647)	2,115
Closing shareholders' (deficit)/funds	**(182,332)**	**2,666**	(106,964)	2,430

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 (2013: £1.80 million).

24 Commitments under operating leases

At 31 March 2014, the group had annual commitments under non-cancellable operating leases as follows:

	Group 2014 £'000	Group 2013 £'000
Land and buildings:		
Expiring within one year	**240**	130
Expiring between two and five years	**1,425**	1,485
Expiring after five years	**8,685**	8,273
	10,350	9,888
Other:		
Expiring within one year	**180**	55
Expiring between two and five years	**386**	543
	566	598

Notes to the financial statements *(continued)*

25 Pension commitments

Group

The group operates three defined contribution pension schemes. The pension cost charge for the financial year represents contributions payable by the group to the schemes and amounted to £342,000 (2013: £nil).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2013: £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.

Over the year to 31 March 2014 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 £52,000 (2013: £30,000). 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 2011 and was updated for FRS 17 'Retirement benefits' purposes to 31 March 2014 by a qualified independent actuary.

The major assumptions used in this valuation were:

	2014	2013
Expected return on plan assets	**4.8%**	4.6%
Rate of increase in pensions in payment and deferred pensions	**3.5%**	3.4%
Discount rate applied to scheme liabilities	**4.2%**	4.0%
Inflation assumption	**3.5%**	3.4%

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 2014 will on average live for a further 24.7 years (2013: 24.5 years) after retirement if they are male and 26.6 years (2013: 26.4 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 2014	**Value 2014 £'000**	Percentage of plan assets 2013	Value 2013 £'000
Equities	**41%**	**1,806**	28%	1,301
Bonds	**58%**	**2,554**	70%	3,266
Property	**1%**	**65**	1%	61
Cash	**0%**	**7**	1%	17
Total market value of assets		**4,432**	100%	4,645
Present value of scheme liabilities		**(4,287)**		(4,558)
Surplus in the scheme – pension asset		**145**		87
Related deferred tax liability		**-**		-
Net pension asset		**145**		87

The figures show the scheme to be in 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 has not been regarded as recoverable and has not been recognised on this basis.

The amounts for other finance income and the actuarial loss arising from the actual and expected return on assets and the changes in assumptions underlying the present value of scheme liabilities have not been recognised in the profit and loss account and the statement of total recognised gains and losses on the grounds of materiality.

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

	Long term rate of return 2014 %	Long term rate of return 2013 %
Equities	**7.00**	8.00
Bonds	**4.00**	3.50
Property	**6.25**	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 surplus during the year:

	2014 £'000	2013 £'000
Surplus in the scheme at the start of the year	**87**	496
Current service cost	**(21)**	(21)
Other finance income	**29**	43
Actuarial gain/(loss)	**50**	(431)
Surplus in the scheme at the end of the year	**145**	87

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

	2014 £'000	2013 £'000
Opening defined benefit obligation	**(4,558)**	(3,717)
Current service cost	**(21)**	(21)
Interest cost	**(177)**	(173)
Actuarial gain/(loss)	**170**	(730)
Benefits paid	**299**	83
Closing defined benefit obligation	**(4,287)**	(4,558)

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

	2014 £'000	2013 £'000
Opening market value of plan assets	**4,645**	4,213
Expected return on scheme assets	**206**	216
Actuarial (loss)/gain	**(120)**	299
Benefits paid	**(299)**	(83)
Closing market value of assets	**4,432**	4,645

Analysis of amounts that would be included in other finance income

	2014 £'000	2013 £'000
Expected return on pension scheme assets	**206**	216
Interest cost on pension scheme liabilities	**(177)**	(173)
	29	43

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

Analysis of amount that would be recognised in the statement of total recognised gains and losses

	2014 **£'000**	2013 £'000
Actual return less expected return on scheme assets	**(120)**	299
Experience gains and losses arising on scheme liabilities	**6**	(22)
Changes in assumptions underlying the present value of scheme liabilities	**164**	(708)
Actuarial gain/(loss)	**50**	(431)

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

Five year record

	2014 **£'000**	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	**(4,287)**	(4,558)	(3,717)	(3,214)	(2,968)
Plan assets	**4,432**	4,645	4,213	4,135	3,789
Surplus	**145**	87	496	921	821
Experience adjustments on plan liabilities	**6**	(22)	(103)	-	(48)
Experience adjustments on plan assets	**(120)**	299	159	138	327

Note that, in order to provide comparable information, the five year historical disclosures provided above reflect the accounts of Pearl Topco Limited for the years ended 2010 and 2011.

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

	Group **2014** **£'000**	Group 2013 £'000
Operating profit	**18,572**	14,494
Amortisation of goodwill	**33,989**	29,329
Depreciation	**13,623**	11,815
Amortisation of grant income	**(510)**	(666)
Increase in stock	**(746)**	(461)
Increase in debtors	**(4,956)**	(2,741)
Increase in creditors	**589**	4,951
Decrease in provisions	**(5,895)**	(2,903)
Net cash inflow from operating activities	**54,666**	53,818

Notes to the financial statements *(continued)*

27 Analysis of cash flows

	Group 2014 £'000	Group 2013 £'000
Returns on investment and servicing of finance		
Senior facility loan interest paid	(2,932)	(14,264)
Senior secured, floating rate and second lien note interest paid	(19,063)	-
Interest rate swap cash paid	(2,426)	(3,799)
Bank interest received	67	37
Arrangement fees and associated professional costs	(15,366)	-
Syndicate charges paid	(1,702)	(1,489)
Net cash outflow for returns on investments and servicing of finance	(41,422)	(19,515)
Capital expenditure		
Purchase of tangible fixed assets	(21,136)	(14,183)
Capital grants received	19	105
Purchase of freehold property	(2,716)	(389)
Proceeds on sale of freehold property and other tangible fixed assets	298	-
Net cash outflow for capital expenditure	(23,535)	(14,467)
Acquisitions and disposals		
Acquisition of subsidiary undertakings (including associated costs)	(59,567)	(17,531)
Cash acquired on acquisition of subsidiary undertakings	1,684	1,922
Acquisition of practices (including associated costs)	(33,354)	(29,369)
Proceeds from sale of practices (net of costs)	17	797
Deferred consideration paid	(2,109)	(1,305)
Professional fees paid in respect of acquisitions in progress at the balance sheet date	(225)	(137)
Net cash outflow for acquisitions and disposals	(93,554)	(45,623)
Financing		
Drawdown of bank loans	47,307	54,399
Repayment of bank loans	(329,273)	(19,333)
Proceeds from issue of senior secured, floating rate and second lien notes	400,000	-
Proceeds from issue of loan notes	-	22,000
Redemption of loan notes (including accrued interest)	(49,501)	(7,520)
Preference share dividends paid	(499)	-
Proceeds of equity share issue	-	74
Net cash inflow from financing	68,034	49,620

Notes to the financial statements *(continued)*

28 Reconciliation of net cash flow to movement in net debt

	Group 2014 £'000	Group 2013 £'000
(Decrease)/increase in cash in the financial year	(35,566)	23,497
Drawdown of bank loans	(47,307)	(54,399)
Repayment of bank loans	329,273	19,333
Proceeds from issue of senior secured, floating rate and second lien notes (net of fees)	(384,460)	-
Redemption of loan notes (including accrued interest)	49,501	7,520
Preference share dividends paid	499	-
Issue of loan notes	-	(22,000)
Total cash movement in net debt	(88,060)	(26,049)
Accrued loan interest	(46,105)	(43,711)
Accrued preference share dividends	(3,476)	(3,130)
Amortisation of loan arrangement fees	(2,674)	(3,438)
Release of loan arrangement fees on redemption of senior facilities	(15,263)	-
Total non-cash movement in net debt	(67,518)	(50,279)
Total movement in net debt	(155,578)	(76,328)
Net debt brought forward	(696,149)	(619,821)
Net debt carried forward	(851,727)	(696,149)

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	42,516	(35,566)	-	6,950
Debt				
Bank and other borrowings	(288,104)	(102,494)	(17,937)	(408,535)
Loan notes	(421,279)	49,501	(46,105)	(417,883)
Preference shares	(29,282)	499	(3,476)	(32,259)
Total debt	(738,665)	(52,494)	(67,518)	(858,677)
Total net debt	(696,149)	(88,060)	(67,518)	(851,727)

Notes to the financial statements *(continued)*

30 Acquisitions

Acquisition of DBG Topco Limited

On 16 April 2013, the group acquired 100% of the issued share capital of the DBG Topco Limited group of companies (together 'the Dental Buying Group' or 'DBG') for consideration of £28.0 million. Following the transaction, the group owns 92.6% of the issued share capital of Healthcare Buying Group Limited, a newly incorporated company formed to acquire DBG Topco Limited. The principal activity of DBG is the provision of healthcare goods and services for members of the UK dental and medical professions.

The adjustment required to the book values of the assets and liabilities of the DBG group acquired in order to present the net assets at the provisional fair values in accordance with group accounting principles was £1.1 million, details of which are set out together with the resultant amount of goodwill arising.

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	294	-	294
Stock	882	(557)	325
Debtors	1,838	(165)	1,673
Cash	591	-	591
Creditors	(2,357)	(303)	(2,660)
Corporation tax	78	(34)	44
Deferred taxation	6	18	24
Provisions	(15)	(20)	(35)
Net assets acquired	1,317	(1,061)	256
Goodwill			27,766
			28,022
Satisfied by:			
Cash			27,420
Acquisition expenses			602
			28,022

During the period from 16 April 2013 to 31 March 2014, DBG contributed turnover of £12.1 million and EBITDA of £1.9 million (before intra-group eliminations) to the group. In addition, DBG generated operating cashflow, before capital expenditure, of £880,000 for the same period.

In the nine month period to 31 March 2013, DBG Topco Limited reported consolidated turnover of £5.9 million, operating profit of £420,000 and a loss after tax of £407,000.

Notes to the financial statements *(continued)*

30 Acquisitions *(continued)*

Corporate acquisitions

During the year the group acquired the entire issued share capital of 18 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
DH Dental Holdings Limited	2 April 2013
Q Dental Care Limited	2 April 2013
Viren Patel and Associates Limited	2 April 2013
Q Dental Surgeries Limited	2 April 2013
Phoenix Dental Practice Limited	4 April 2013
Castle Hill Dental Practice Limited	9 April 2013
Richmond House Practice Limited	29 April 2013
The Domicilliary Dental Practice Limited	30 April 2013
Palmerston Precinct Practice Limited	3 May 2013
Unnati Limited	7 May 2013
Church Street Dentists Limited	8 August 2013
Phoenix Dental Limited	21 August 2013
Clarendon Dental Practice Limited	23 September 2013
Hillcrest Ionian Limited	3 December 2013
Falchion Orthodontics Limited	31 January 2014
Butler and Finnigan Dental Practice Ltd	27 February 2014
Alemdent Limited	26 March 2014
Aesthetix Limited	31 March 2014

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	1,797	-	1,797
Stock	241	-	241
Debtors	86	-	86
Cash	1,093	-	1,093
Creditors	(2,640)	-	(2,640)
Corporation taxation	(713)	-	(713)
Deferred taxation	(40)	-	(40)
Provisions	(64)	(223)	(287)
Net liabilities acquired	(240)	(223)	(463)
Goodwill			31,825
			31,362
Satisfied by:			
Cash			25,617
Deferred consideration			4,469
Acquisition expenses			1,276
			31,362

Included within the cash consideration are loans made by the acquiring entities to the acquired company in order to settle vendor shareholder loans of £8.69 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 39 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 £'000	Provisional fair value adjustments £'000	Fair value £'000
Tangible fixed assets	2,817	-	2,817
Stock	24	-	24
Provisions	-	(619)	(619)
Net assets acquired	2,841	(619)	2,222
Goodwill			30,638
			32,860
Satisfied by:			
Cash			30,686
Deferred consideration			737
Acquisition expenses			1,437
			32,860

Of these acquisitions, 34 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

On 17 April 2014, the group acquired the entire share capital of HM Logistics Limited, also known as The Dental Directory Group.

Since 31 March 2014, the group has acquired five incorporated dental practices and two unincorporated dental practices.

The total consideration was £73.7 million.

On 9 May 2014, the group raised £100 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the Super Senior Revolving Credit Facility and for general corporate purposes.

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 is charged at the published HMRC rate applicable to 'beneficial loan arrangements'. On 9 June 2014, the loan, including accrued interest, was settled in full.

Shareholder loans

CEP III IHP S.a.r.l., an entity controlled by The Carlyle Group, and a related party due to common control, holds £254.95 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2013: £277.05 million). During the year to 31 March 2014, interest of £37.43 million was accrued (2013: £35.22 million) and principal of £22.10 million and accrued interest of £15.63 million was settled. The total amount of accrued interest due at 31 March 2014 is £84.72 million (2013: £62.92 million).

ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, holds £59.56 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2013: £66.46 million). During the year to 31 March 2014, interest of £8.68 million was accrued (2013: £8.34 million) and principal of £6.90 million and accrued interest of £4.88 million was settled. The total amount of accrued interest due at 31 March 2014 is £18.65 million (2013: £14.85 million).

ADP Primary Care Acquisitions Limited also holds preference shares in Turnstone Midco 1 Limited with a par value of £20.00 million (2013: £20.00 million). During the year to 31 March 2014, dividends of £2.98 million were accrued (2013: £2.65 million). The total amount of accrued dividends due at 31 March 2014 is £7.77 million (2013: £4.79 million).

33 Controlling party

At 31 March 2014 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 2014 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.