

IDH Finance Plc

Annual report and financial statements

Registered number 08516986

Year ended 31 March 2016

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Strategic report for the year ended 31 March 2016

The directors present the Strategic report for the year ended 31 March 2016.

Principal activities

The principal activity of the company is to act as a group financing company.

Business review

The company is a member of the group of companies headed by Turnstone Equityco 1 Limited ('the group'). The principal activities of the group are the operation of dental practices and the provision of materials, services and equipment to dental practices.

The group is organised into two distinct business units and provides a range of National Health Service ('NHS') and private dental services from practices throughout the United Kingdom along with support services to other third party dental practices and the wider healthcare sector.

Patient services

Through its patient services division, the group owns and manages a national chain of dental practices, with 672 sites at 31 March 2016 (2015: 644). As of 31 March 2016, 418 of the group's practices have been branded and operate as 'mydentist'. 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 68% of group revenue coming from NHS contracts (2015: 70%), the group is the largest provider of NHS dentistry in the UK.

The main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited. The business has continued to grow during the year through a mixture of corporate and practice acquisitions and through organic expansion.

Practice services

The group's practice services division, which principally comprises the Dental Buying Group ('dbg') and The Dental Directory, provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division. The principal trading entities of the practice services division are Billericay Dental Supply Co. Limited and DBG (UK) Limited. During the year to 31 March 2016, the group has continued to develop its practice services offering, both organically and through the acquisition of Med-FX Limited, a distributor of facial aesthetics with a pharmacy offering; PDS Dental Laboratory Leeds Limited, a leading dental laboratory; and Dolby Medical Limited, a medical supplies and equipment servicing business in Scotland.

Strategy and future outlook

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

Financial review

The operating loss for the year was £6,000 (2015: £8,000). The profit for the financial year was £271,000 (2015: £224,000).

Principal risks and uncertainties

The company's risks and uncertainties are integrated with the principal risks and uncertainties of the group. Accordingly, the principal risks and uncertainties of Turnstone Equityco 1 Limited, which includes those of the company, are discussed in the Strategic report in the financial statements of Turnstone Equityco 1 Limited which does not form part of this report.

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

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework which are managed in the context of the risks to which the group is exposed. 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.

Strategic report for the year ended 31 March 2016 (continued)

Financial risk management (continued)

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 NHS Local Area Teams means that credit risk is minimised for a significant proportion of group revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the group. Payment is also requested in advance for major courses of private treatment. In the practice services division new customers are subject to external credit checks using the main agencies. Credit terms are negotiated individually and subsequently monitored closely by the credit control team. Cash deposits are principally held with institutions with a minimum credit rating of BBB+ (Standard and Poor's or Fitch); or Baa1 (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.

Market risk

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

The group is exposed to currency risk as business units within the practice services division routinely purchase goods in currencies other than Sterling (principally Euro and US Dollar). The group has policies and procedures in place to mitigate the impact of fluctuations in foreign exchange rates and in particular, to provide reasonable certainty over the group's cash flows through the use of, for example, derivative financial instruments such as foreign currency forward contracts or option contracts. This risk is also managed through competitive tendering for the group's significant supply contracts. All other operations are carried out in the United Kingdom and all income, other expenses and facilities are denominated in Sterling.

Following the re-financing completed on 30 May 2013, the group entered into two fixed interest rate contracts totalling £125 million. 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 74% of the group's total drawn debt (2015: 75%).

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.



WHM Robson
Director
3 June 2016

Directors' report for the year ended 31 March 2016

The directors present their report and the audited financial statements of IDH Finance Plc for the year ended 31 March 2016.

Financial risk management

Please refer to the Strategic report for a description of the company's financial risk management processes.

Future developments

Please refer to the strategy and future outlook 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 (2015: £nil).

Directors

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

J Bonnavion
E Kump
WHM Robson
T Scicluna
A Stirling

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Political and charitable contributions

The company made no political or charitable contributions during the year (2015: £nil).

Directors' report for the year ended 31 March 2016 *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This statement is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be reappointed as auditors will be proposed at the annual general meeting.

On behalf of the Board



WHM Robson
Director
3 June 2016

Europa House
Europa Trading Estate
Stoneclough Road
Kearsley
Manchester
M26 1GG

Independent auditors' report to the members of IDH Finance Plc

Report on the financial statements

Our opinion

In our opinion, IDH Finance Plc's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report') comprise:

- the balance sheet as at 31 March 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of IDH Finance Plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Randal Casson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
3 June 2016

Income statement
for the year ended 31 March 2016

	<i>Note</i>	2016 £'000	2015 £'000
Administrative expenses		(6)	(8)
Operating loss	5	(6)	(8)
Interest receivable and similar income	7	30,901	30,233
Interest payable and similar charges	8	(30,624)	(30,001)
Net interest receivable		277	232
Profit on ordinary activities before taxation		271	224
Tax on profit on ordinary activities	9	-	-
Profit for the financial year		271	224

The notes on pages 10 to 15 form part of these financial statements.

All activities are derived from continuing operations.

The company has no items of other comprehensive income during the current or previous year other than those stated above and therefore no separate statement of comprehensive income has been presented.

Balance sheet
at 31 March 2016

	<i>Note</i>	2016 £'000	2015 £'000
Current assets			
Debtors (includes £501,250,000 falling due after more than one year; 2015: £501,250,000)	<i>10</i>	503,825	503,835
Cash at bank and in hand		50	50
		<u>503,875</u>	<u>503,885</u>
Creditors: amounts falling due within one year	<i>11</i>	(2,597)	(2,600)
Net current assets		<u>501,278</u>	<u>501,285</u>
Creditors: amounts falling due after more than one year	<i>12</i>	(500,741)	(501,019)
Net assets		<u>537</u>	<u>266</u>
Capital and reserves			
Called up share capital	<i>14</i>	50	50
Retained earnings	<i>15</i>	487	216
Total shareholders' funds		<u>537</u>	<u>266</u>

The notes on pages 10 to 15 form part of these financial statements.

These financial statements on pages 7 to 15 were approved by the board of directors on 3 June 2016 and were signed on its behalf by:



WHM Robson
Director

Statement of changes in equity
for the year ended 31 March 2016

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2014	50	(8)	42
Comprehensive income for the year			
Profit for the financial year	-	224	224
Balance at 31 March 2015	50	216	266
Comprehensive income for the year			
Profit for the financial year	-	271	271
Balance at 31 March 2016	50	487	537

The notes on pages 10 to 15 form part of these financial statements.

Notes to the financial statements

1 Company information

IDH Finance Plc (the 'company') is a public limited company incorporated and domiciled in the UK. The address of the registered office is: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG.

The principal activity of the company is to act as a group financing company.

The company is a member of the group of companies headed by Turnstone Equityco 1 Limited ('the group'). The principal activities of the group are the operation of dental practices and the provision of materials, services and equipment to dental practices.

2 Accounting policies

Basis of preparation

The financial statements of IDH Finance Plc have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Ireland ('FRS 102'), and with the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention.

This is the first year in which the company has prepared its financial statements in accordance with FRS 102. However, no transition differences have arisen and, therefore, the income statement for the year ended 31 March 2015 and the balance sheets at both 1 April 2014 (the transition date) and 31 March 2015 are unchanged from those previously reported.

The financial statements are presented in Sterling (£).

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

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of the exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and that the company's cash flows are included within the consolidated cash flow statement for the group;
- from preparing a reconciliation of the number of shares outstanding at the beginning and end of the financial year; and
- from disclosing the compensation paid to the company's key management personnel.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Financial instruments

Basic financial assets and liabilities, including amounts owed by group undertakings, borrowings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Significant judgements and estimates

In preparing the financial statements, the Directors are required to make significant judgements and estimates. The principal area of the financial statements where judgements and estimates have been made is:

Carrying value of financial assets and liabilities

At the end of each reporting period, the Directors assess the carrying value of financial assets for objective evidence of impairment. In addition, where financial assets or liabilities constitute a financing arrangement, the value of the asset or liability is measured by reference to the present value of the estimated future cashflows. Both of these estimates require the future cashflows arising from the financial assets or liabilities to be estimated and an appropriate discount rate to be selected.

4 Segmental analysis

The profit on ordinary activities before taxation and net assets of the company relate to its principal activity as a group financing company. All services are provided in the United Kingdom.

5 Operating loss

	2016 £'000	2015 £'000
Operating loss is stated after charging:		
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's financial statements	6	8

6 Directors and employees

The directors received no emoluments from the company for their services during the year (2015: £nil). The emoluments received as a director of the parent company are disclosed in the financial statements of Turnstone Equityco 1 Limited for WHM Robson and T Scicluna.

The company has no employees (2015: none).

7 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable on loan to subsidiary undertaking	30,901	30,233

8 Interest payable and similar charges

	2016 £'000	2015 £'000
Senior secured fixed rate notes	12,000	11,981
Senior secured floating rate notes	12,249	11,655
Second lien notes	6,375	6,365
	30,624	30,001

Notes to the financial statements (continued)

9 Tax on profit on ordinary activities

a) Analysis of tax charge for the financial year

	2016	2015
	£'000	£'000
Current tax		
Current tax for the year	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<hr/>	<hr/>

b) Factors affecting the tax charge for the financial year

The tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2016 of 20% (2015: 21%). The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	271	224
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	54	47
Effects of:		
Group relief claimed for nil consideration	(54)	(47)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<hr/>	<hr/>

The main rate of corporation tax was reduced from 21% to 20% from 1 April 2015. Further reductions to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 18 November 2015.

A further reduction in the main rate of corporation tax to 17% from 1 April 2020 was announced in the Chancellor's Budget Statement on 16 March 2016. As this change had not been substantively enacted at the balance sheet date, its effect is not included in these financial statements.

Notes to the financial statements (continued)

10 Debtors

	2016 £'000	2015 £'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>501,250</u>	<u>501,250</u>
Amounts falling due within one year		
Amounts owed by group undertakings	<u>2,575</u>	<u>2,585</u>
	<u>503,825</u>	<u>503,835</u>

The amounts owed by group undertakings falling due after more than one year are unsecured and are subject to an interest charge equivalent to that payable upon the senior secured, floating rate and second lien notes (note 13).

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

11 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Accruals	<u>2,597</u>	<u>2,600</u>

12 Creditors: amounts falling after more than one year

	2016 £'000	2015 £'000
Borrowings (note 13)	<u>500,741</u>	<u>501,019</u>

Notes to the financial statements (continued)

13 Borrowings

	2016 £'000	2015 £'000
Senior secured, floating rate and second lien notes		
Due between two and five years	500,741	501,019

All of the company's borrowings are denominated in Sterling and are secured by means of a floating charge against the assets of certain group subsidiary companies.

Throughout the year ended 31 March 2016 the company had the following available borrowing facilities:

- £200 million of senior secured notes. The notes were issued on 30 May 2013 and 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.
- £225 million of senior secured floating rate notes. The notes were issued on 30 May 2013 (£125 million) and 9 May 2014 (£100 million) and 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 £100 million of notes issued on 9 May 2014 were issued at a price of 101.25, a premium of 1.25% over par. The premium arising of £1.25 million is being amortised over the remaining term to maturity in line with the effective interest method.
- £75 million of second lien notes. The notes were issued on 30 May 2013 and 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.

14 Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid 50,000 (2015: 50,000) ordinary shares of £1	50	50

15 Reserves

The following describes the nature and purpose of each reserve within shareholders' funds:

Retained earnings

Cumulative net gains and losses recognised in the group income statement or through equity.

16 Financial assets and liabilities

The company has the following financial instruments:

	<i>Note</i>	2016 £'000	2015 £'000
Financial assets measured at amortised cost			
Amounts owed by group undertakings	10	503,825	503,835
Financial liabilities measured at amortised cost			
Borrowings	12	(500,741)	(501,019)

Notes to the financial statements *(continued)*

17 Controlling party

The immediate parent undertaking is Turnstone Midco 2 Limited.

The results of the company are consolidated in the financial statements of Turnstone Equityco 1 Limited, a company incorporated in England.

Turnstone Midco 2 Limited is the parent undertaking of the smallest group to consolidate these financial statements. Turnstone Equityco 1 Limited is the parent undertaking of the largest group to consolidate these financial statements. The consolidated financial statements of Turnstone Midco 2 Limited are publicly available and may be obtained from Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

At 31 March 2016 and throughout the year, the ultimate controlling party is considered by the Directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group. CEP III Participations S.a.r.l. SICAR is the controlling party of Turnstone Equityco 1 Limited.