

Important notice

THE ENCLOSED OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR (2) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE US SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, whether received by e-mail or otherwise received as a result of electronic communication. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the Notes (as defined herein), you must be either (1) a QIB or (2) purchasing the Notes outside of the United States in an offshore transaction in reliance on Regulation S. The offering memorandum is being sent at your request. By accepting this e-mail and by accessing the offering memorandum, you shall be deemed to have represented to us and the Initial Purchasers that:

(1) you consent to delivery of such offering memorandum by electronic transmission; and

(2) either you or any customers you represent are:

(a) QIBs; or

(b) outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia.

QIBs are hereby notified that the seller of the Notes offered under the offering memorandum may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the offering memorandum to any other person.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Initial Purchasers may make offers and sales in the United States through U.S. broker-dealers.

If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any Initial Purchaser of the Notes offered under the offering memorandum or any affiliate of any such Initial Purchaser is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by such an Initial Purchaser or affiliate on behalf of the Issuer in such jurisdiction.

The offering memorandum has not been approved by an authorised person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or are persons to whom an invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any Initial Purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you from the Initial Purchasers upon your request.



IDH Finance plc

£275,000,000 6¼% Senior Secured Fixed Rate Notes due 2022**£150,000,000 Senior Secured Floating Rate Notes due 2022**

IDH Finance plc, a public limited company incorporated under the laws of England and Wales (the "Issuer"), is offering £275.0 million in aggregate principal amount of its 6¼% senior secured fixed rate notes due 2022 (the "Senior Secured Fixed Rate Notes") and £150.0 million in aggregate principal amount of its senior secured floating rate notes due 2022 (the "Senior Secured Floating Rate Notes" and together with the Senior Secured Fixed Rate Notes, the "Notes"). The proceeds from the offering of the Notes (the "Offering") will be used, together with cash on hand and the proceeds from the Private Placement (as defined below), to repay certain of our existing indebtedness.

The Issuer will pay interest on the Senior Secured Fixed Rate Notes semi-annually in arrears on 15 February and 15 August of each year, beginning on 15 February 2017. The Senior Secured Fixed Rate Notes will mature on 15 August 2022. The Issuer may redeem the Senior Secured Fixed Rate Notes in whole or in part at any time on or after 15 August 2018 at the redemption prices specified herein. Prior to 15 August 2018, the Issuer may redeem all or part of the Senior Secured Fixed Rate Notes at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium, as described herein. Additionally, prior to 15 August 2018, the Issuer may redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes with the net proceeds from certain equity offerings at the redemption price set out in this offering memorandum. The Issuer may redeem all, but not less than all, of the Senior Secured Fixed Rate Notes upon the occurrence of certain changes in applicable tax law.

The Issuer will pay interest on the Senior Secured Floating Rate Notes at a rate equal to the sum of (i) three-month GBP LIBOR (with a 0.00% floor), plus (ii) 6% per annum, quarterly in arrears on 15 February, 15 May, 15 August and 15 November of each year, beginning on 15 November 2016. The Senior Secured Floating Rate Notes will mature on 15 August 2022. The Issuer may redeem the Senior Secured Floating Rate Notes in whole or in part at any time on or after 15 August 2017 at the redemption prices specified herein. Prior to 15 August 2017, the Issuer may redeem all or part of the Senior Secured Floating Rate Notes at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium, as described herein. The Issuer may redeem all, but not less than all, of the Senior Secured Floating Rate Notes upon the occurrence of certain changes in applicable tax law.

Upon the occurrence of certain defined events constituting a change of control, each holder of the Senior Secured Fixed Rate Notes or the Senior Secured Floating Rate Notes, as applicable, may require the Issuer to repurchase all or a portion of its Senior Secured Fixed Rate Notes or the Senior Secured Floating Rate Notes, as applicable, at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if certain consolidated net leverage ratios are not exceeded in connection with such event.

The Notes will be the Issuer's senior obligations and will, along with obligations under our New Revolving Credit Facility, be guaranteed (the "Guarantees" and each, a "Guarantee") on a senior secured basis on the Issue Date (as defined below) by the parent company of the Issuer (the "Parent Guarantor") and certain of the Parent Guarantor's subsidiaries (collectively, the "Subsidiary Guarantors" and together with the Parent Guarantor, the "Guarantors").

The Notes and the Guarantees will be secured on the Issue Date by first-priority security interests, which will also secure our obligations under the New Revolving Credit Facility, in substantially all the assets and the share capital of the Issuer and the Guarantors (the "Collateral") as described herein. In the event of enforcement of the security over the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and certain hedging obligations and other indebtedness that is permitted to be secured on a super-priority basis have been repaid in full. The Guarantees and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness.

The Notes will rank *pari passu* in right of payment with all the existing and future unsubordinated indebtedness of the Issuer (including obligations under our New Revolving Credit Facility), senior to all the existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes (including the Second Lien Notes (as defined below)) and effectively senior to all the existing and future unsecured indebtedness of the Issuer to the extent of the value of the Collateral available to satisfy the claims under the Notes.

There is currently no public market for the Notes. Application has been made to The Channel Islands Securities Exchange Authority Limited (the "Exchange") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

The Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof on or about 5 August 2016 (the "Issue Date") in the form of one or more global notes in registered form, and will be deposited on the closing date of this Offering and registered in the name of a nominee for a common depository for Euroclear SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). See "Book-entry, delivery and form."

Investing in the Notes involves risks. See "Risk factors" beginning on page 35.

The Notes and the Guarantees have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold inside the United States only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the US Securities Act ("Rule 144A") and outside the United States in offshore transactions in accordance with Regulation S under the US Securities Act ("Regulation S"). Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers (as defined herein) may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Plan of distribution" and "Transfer restrictions."

Issue price for the Senior Secured Fixed Rate Notes: 100.0% plus accrued interest, if any, from the Issue Date
Issue price for the Senior Secured Floating Rate Notes: 99.5% plus accrued interest, if any, from the Issue Date

Joint Global Coordinators and Joint Physical Bookrunners

Credit Suisse

J.P. Morgan

Joint Bookrunners

Goldman
Sachs
International

ING

Lloyds Bank

Mizuho
Securities

Société Générale

The Royal Bank
of Scotland

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You should rely only on the information contained in this offering memorandum. We have not, and the Initial Purchasers have not, authorised anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as at any date other than the date on the front of this offering memorandum.

Important information about this offering memorandum

This offering memorandum has been prepared by the Issuer solely for use in connection with the proposed Offering of the Notes. This offering memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Notes, and any disclosure of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and you agree to not make copies of this offering memorandum or any documents referred to in this offering memorandum.

The Issuer, having made all reasonable enquiries, confirms that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), this offering memorandum contains or incorporates by reference all information that is material in the context of the issue and offering of the Notes and the Guarantees, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts the omission of which would make this offering memorandum or any such information misleading in any material respect. The information contained in this offering memorandum is as at the date hereof. The Issuer accordingly accepts responsibility for the information contained in this offering memorandum.

In making an investment decision, you should rely only on the information contained in this offering memorandum. Neither the Issuer nor any of the Initial Purchasers has authorised anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. Neither the Issuer nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the Offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as at any date other than the date on the front of this offering memorandum.

The information contained in "Exchange rates," "Summary," "Management's discussion and analysis of financial condition and results of operations," "Industry" and "Business" includes extracts from information and data, including industry and market data and estimates, released by publicly available resources in Europe and elsewhere. Although the Issuer accepts responsibility for the accurate extraction and summarisation of such information and data, the Issuer has not independently verified the accuracy of such information and data and it accepts no further responsibility in respect of such information and data. In addition, the information set out in relation to sections of this offering memorandum describing clearing arrangements, including the sections entitled "Description of the Notes" and "Book-entry, delivery and form," is subject to any change in, or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Whilst the Issuer accepts responsibility for accurately summarising the information concerning Euroclear and Clearstream, it accepts no further responsibility in respect of such information.

The Issuer reserves the right to withdraw this Offering at any time. The Issuer is making this Offering subject to the terms described in this offering memorandum and the Purchase Agreement (as defined herein). The Issuer and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all the Notes for which it has subscribed.

Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc, Goldman Sachs International, ING Bank N.V., London Branch, Lloyds Bank plc, Mizuho International plc, Société Générale and The Royal Bank of Scotland plc (collectively, the "Initial Purchasers") and the Trustee, the Security Agent, the Transfer Agent and the Paying Agent (each as defined herein) make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this offering memorandum.

Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Security Agent, the Transfer Agent or the Paying Agent as to the past or the future. We have furnished the information contained in this offering memorandum.

The Initial Purchasers will provide you with a copy of this offering memorandum and any related amendments or supplements. By receiving this offering memorandum, you acknowledge that you have had an opportunity to ask questions of us, and that you have received all answers you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

Investing in the Notes involves substantial risks. See "Risk factors."

In making an investment decision, you must rely solely on the information contained in this offering memorandum and your own examination of us and the terms of the Offering of the Notes, including the merits and risks involved. In addition, none of us, the Initial Purchasers, the Trustee, the Security Agent, the Transfer Agent or the Paying Agent, or any of their respective representatives are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisers as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; none of us, the Initial Purchasers, the Trustee, the Security Agent, the Transfer Agent or the Paying Agent, or any of their respective representatives shall have any responsibility for any of the foregoing legal requirements. The distribution of this offering memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. See "Transfer restrictions."

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of one or more global notes. The global notes will be deposited and registered in the name of a common depository for Euroclear and Clearstream. Transfers of interests in the global notes will be effected through records maintained by Euroclear and Clearstream, respectively, and their respective participants. The Notes will not be issued in definitive registered form except under the circumstances described in "Book-entry, delivery and form."

Application has been made to The Channel Islands Securities Exchange Authority Limited (the "Exchange") for the listing of and permission to deal in the Notes on the Official List of the Exchange and we have submitted this offering memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. We may also be required to update the information in this offering memorandum to reflect changes in our business, financial condition or results of operations and prospects. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained, and settlement of the Notes is not conditioned on obtaining this listing. Any investor or potential investor in the European Economic Area (the "EEA") should not base any investment decision relating to the Notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

Notice to investors in the United States

None of the US Securities and Exchange Commission (the "SEC"), any state securities commission or any other regulatory authority has approved or disapproved the Notes or the Guarantees nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary could be a criminal offence in certain countries.

The Notes are subject to restrictions on transferability and resale, and may not be transferred or resold except as permitted under the US Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. The Notes have not been and will not be registered under the US Securities Act or the securities laws of any State of the United States and are subject to certain restrictions on transfer. You are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. See "Plan of distribution" and "Transfer restrictions" for descriptions of certain restrictions on offers and sales of the Notes and the distribution of this offering memorandum.

Notice to investors in the European Economic Area

This offering memorandum has been prepared on the basis that any offer of the Notes in any member state of the EEA (each, a "Member State") which has implemented the Prospectus Directive (each, a "Relevant Member State"), will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the Notes.

Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor the Initial Purchasers has or have authorised, nor do they authorise, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer.

In relation to each Relevant Member State, each Initial Purchaser has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Member State it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (i) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- (ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus

Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

Certain regulatory issues related to the United Kingdom

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is permitted only by Relevant Persons and will be engaged in only with Relevant Persons.

Service of process and enforcement of civil liabilities

The Issuer is a public limited company incorporated under the laws of England and Wales, and the Parent Guarantor (as defined herein) is a private company incorporated under the laws of England and Wales. All the directors and executive officers of the Issuer and the Parent Guarantor live outside the United States. Substantially all the assets of the directors and executive officers of the Issuer and the Parent Guarantor are located outside the United States. As a result, it may not be possible for you to serve process on such persons, the Issuer or the Parent Guarantor in the United States or to enforce judgments obtained in US courts against such persons, the Issuer or the Parent Guarantor based on civil liability provisions of the securities laws of the United States.

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be recognised or enforceable in England. In order to enforce any such US judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the US court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defence to it). Recognition and enforcement of a US judgment by an English court in such an action is conditional upon (amongst other things) the following:

- the US court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the US judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the US judgment not contravening English public policy;
- the US judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;

- the US judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the US judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the US judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from US federal or state courts. Nevertheless, we cannot assure you that those judgments will be recognised or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon US federal securities laws.

Stabilisation

In connection with the offering of the Notes, Credit Suisse Securities (Europe) Limited, or persons acting on behalf of Credit Suisse Securities (Europe) Limited, may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there can be no assurance that Credit Suisse Securities (Europe) Limited or persons acting on its behalf will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after date on which the Issuer received the proceeds of the issues, or no later than 60 days after the date of the allotment of the Notes.

Available information

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and during any period in relation thereto during which the Issuer is neither subject to Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the “US Exchange Act”) nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) under the US Exchange Act, the Issuer will furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, upon the written request of any such person, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

Information contained on our websites, www.mydentist.co.uk, www.dental-directory.co.uk, www.thedbg.co.uk, www.medfx.co.uk, www.pdsdental.co.uk and www.dolbymedical.com, does not constitute a part of this offering memorandum.

Forward-looking statements

This offering memorandum contains forward-looking statements, including statements about market consolidation and our strategy, investment programme, future operations, industry forecasts, expected acquisitions and investments, and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “target,”

“seek” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including the factors described in “Risk factors.” In addition, even if our actual results are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- delays in or failure to achieve expected UDA delivery rates under our NHS dentistry contracts in England;
- industry-wide factors affecting UDA delivery rates;
- our ability to attract and retain dentists, hygienists, nurses and other dental professionals;
- risks related to health and safety;
- our ability to handle sensitive health information of our patients;
- litigation claims related to medical negligence, employment law and anti-bribery laws;
- the interruption or the loss of our information technology systems or the failure to implement system conversions under the new NHS (as defined herein) dentistry contract;
- our ability to comply with quality of care standards and regulations;
- our ability to enhance our dental practices with the most recent technological advances;
- our ability to successfully roll-out our “mydentist” brand strategy;
- changes to the classification of contracts under the partnership structure of certain of our practices;
- our ability to make, secure financing for and integrate acquisitions successfully;
- the impact of competition regulations on our business model;
- risks related to competitor dental practices refusing to purchase equipment, services or materials from our practice services division;
- changes in the levels of patient demand for dental care;
- price inflation and UK Government-indexed performance targets;
- the impact on our expenditures of the new national living wage legislation;
- claims for recoupment by NHS England (as defined herein) under our NHS dentistry contracts;
- our ability to support organic growth and maintain our capital investments;
- our ability to compete in a highly fragmented and competitive markets;
- our ability to retain our senior management;
- the impact of the United Kingdom’s decision to leave the European Union on global economic conditions, financial markets and our business;

- the impact of economic conditions on our financial condition and results of operations;
- risks related to any loss in our ability to use certain of our key leased properties;
- seasonality and extreme weather conditions;
- inadequate insurance coverage;
- the risk that we may have to write down the value of our goodwill;
- changes to and our ability to comply with certain tax legislation;
- our ability to tender for new NHS contracts;
- organised action by our contracted dentists or other employees;
- risks related to conflicting interests of our shareholders;
- risks related to currency fluctuations;
- changes in the employment status of dentists;
- changes to VAT (as defined herein) legislation;
- our ability to comply with relevant laws and regulatory requirements governing the dental care industry;
- risks related to proposed changes to the NHS dentistry contract;
- changes to levels of funding administered by publicly funded entities;
- increased regulatory oversight of our operations;
- risks related to our indebtedness and the Notes; and
- other factors discussed under “Risk factors.”

These risks and others described under “Risk factors” are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our results of operations, financial condition and liquidity. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as at the date of this offering memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this offering memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on these forward-looking statements.

Industry and market data

The market and competitive position data in the sections “Summary,” “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” “Industry” and “Business” of this offering memorandum are estimates that have been arrived at by management based on industry publications, UK Government sources and from surveys or studies conducted by leading consulting firms, including Mintel Group Ltd (“Mintel”), that are generally believed to be reliable; however, the accuracy and completeness of such information is

not guaranteed. Some of the information herein has been extrapolated from such market data or reports using our experience and internal estimates. We believe that such information in this offering memorandum is accurate; however, there can be no assurance as to the accuracy and completeness of such information and we have not independently verified such market and competitive position data. We only accept responsibility for the accurate reproduction of information from the sources listed in this paragraph.

Elsewhere in this offering memorandum, statements regarding the industry in which we operate and our position in this industry are based solely on our experience, internal studies and estimates, and our own investigation of market conditions. We believe that the sources of such information in this offering memorandum are reliable but there can be no assurance that any of these assumptions are accurate or correctly reflect our position in this industry, and none of our internal surveys or information has been verified by any independent sources. Whilst we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed in "Risk factors." As a result, neither we nor the Initial Purchasers make any representation as to the accuracy of such information.

Unless otherwise stated, all references to policy, regulation and market structure should be taken to refer to England, where we conduct the majority of our activities. The devolved governments of Scotland, Wales and Northern Ireland have control over their own dental care, healthcare and social care spending and policy.

In the United Kingdom, the terms "dental care" and "healthcare" refer to the provision of services and should not be taken to include the pharmaceutical industry, which the term "healthcare" would include, for example, in the United States. The terms "dental market" and "dental spending" refer to dental care.

Presentation of financial information and other data

Financial information

As of the Issue Date, the Issuer will not conduct any operating activities or hold any assets, other than receivables under the Proceeds Loans (as defined herein), or have any material liabilities, other than the Notes. We do not present in this offering memorandum any financial information or financial statements of the Issuer for the periods presented.

This offering memorandum contains:

- the audited consolidated financial statements of the Parent Guarantor as of and for the twelve months ended 31 March 2016, including unaudited comparative information for the twelve months ended 31 March 2015, prepared in accordance with International Financial Reporting Standards ("IFRS") (the "2016 Audited IFRS Financial Statements");
- the audited consolidated financial statements of the Parent Guarantor as of and for the twelve months ended 31 March 2015, prepared in accordance with UK GAAP (the "2015 Audited GAAP Financial Statements"); and
- the audited consolidated financial statements of the Parent Guarantor as of and for the twelve months ended 31 March 2014, prepared in accordance with UK GAAP (the "2014 Audited GAAP Financial Statements" and together with the 2015 Audited GAAP Financial Statements, the "Audited GAAP Financial Statements").

See "Independent auditor" for a description of the reports of the independent auditor of the Parent Guarantor, PricewaterhouseCoopers LLP, on the Audited GAAP Financial Statements of the Parent Guarantor and the 2016 Audited IFRS Financial Statements. In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales the independent auditor's reports of PricewaterhouseCoopers LLP state that they have been

prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and for no other purpose; and the auditor does not accept or assume responsibility for any other purpose or to any other person to whom these reports are shown or into whose hands they may come save where expressly agreed by their prior consent in writing. The independent auditor's report for the 2016 Audited IFRS Financial Statements is included beginning on page F-4, the independent auditor's report for the 2015 Audited GAAP Financial Statements is included beginning on page F-75, and the independent auditor's report for the 2014 Audited GAAP Financial Statements is included beginning on page F-118.

Certain financial information in this offering memorandum has been rounded and, as a result, the figures shown as totals in this offering memorandum may vary slightly from the exact arithmetic aggregation of the figures that precede them. Percentage figures have not been calculated on the basis of rounded figures but have instead been calculated on the basis of such amounts prior to rounding.

Differences between UK GAAP, IFRS and US GAAP

During the twelve months ended 31 March 2016, the Parent Guarantor adopted IFRS. There are significant differences between UK GAAP and IFRS. For this reason, the Audited GAAP Financial Statements and the information extracted or derived therefrom are not directly comparable to the 2016 Audited IFRS Financial Statements or the information extracted or derived therefrom. The 2016 Audited IFRS Financial Statements restate our financial condition and results of operations for the twelve months ended 31 March 2015 from UK GAAP to IFRS and footnote 37 of the 2016 Audited IFRS Financial Statements provides a reconciliation of our results of operations for the twelve months ended 31 March 2015 from UK GAAP to IFRS. However, no such restatement or reconciliation is available for our financial statements for the twelve months ended 31 March 2014, which are based on UK GAAP, and we have not estimated the net effect that applying IFRS would have had on our results of operations or our financial position for the twelve months ended 31 March 2014. The effect of such differences might be material, and, in particular, gross profit and profit/(loss) for the year prepared in accordance with IFRS may be materially different.

In addition, IFRS and UK GAAP differ in certain material respects from generally accepted accounting principles in the United States of America ("US GAAP"). As a result, the results of operations and financial condition derived from the financial statements that are included in this offering memorandum may differ substantially from the results of operations and financial condition derived from financial statements prepared in accordance with US GAAP. We have not prepared a reconciliation of our financial information to US GAAP or a summary of significant accounting differences in the accounting and valuation methods of IFRS or UK GAAP and US GAAP, nor have we otherwise reviewed the impact the application of US GAAP would have on our financial reporting. Accordingly, in making an investment decision, investors must rely on their own examination of our financial information.

NON-UK GAAP And non-IFRS financial information

We have included in this offering memorandum certain financial measures, including EBITDA before exceptional items, estimated pro forma adjusted EBITDA, pro forma net financial debt and related leverage and coverage ratios that are not required by or presented in accordance with UK GAAP and IFRS. In this offering memorandum, references to "EBITDA before exceptional items" are to operating profit/loss of the Parent Guarantor for the financial period before depreciation, amortisation of goodwill, amortisation of grant income and exceptional items. References to "estimated pro forma adjusted EBITDA" are to EBITDA before exceptional items adjusted to reflect certain non-recurring losses for the twelve months ended 31 March 2016 and: (i) the acquisition and integration of 34 dental practices (the "Acquired Dental Practices") by us at different dates during the period between 1 April 2015 and 31 March 2016;

(ii) the acquisition and integration of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical, which we acquired on 31 August 2015, 18 March 2016 and 31 March 2016, respectively; (iii) estimated cost savings initiatives; (iv) estimated VAT grouping savings; and (v) the acquisition and integration of two dental practices between 1 April 2016 and 18 July 2016.

We are not presenting EBITDA-based measures as measures of our results of operations. EBITDA-based measures have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results of operations. EBITDA before exceptional items, estimated pro forma adjusted EBITDA and related leverage and coverage ratios are not measurements of financial performance under UK GAAP and IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with UK GAAP and IFRS. For reconciliations of these EBITDA-based measures, see “Summary—Summary historical consolidated and pro forma combined consolidated financial information and other data—Other financial data.”

Our management believes that the presentation of EBITDA-based measures is helpful to investors as measures of our operating performance and ability to service our debt. Our EBITDA-based measures may not be comparable to similarly titled measures used by other companies.

We have also included other measures in this offering memorandum, some of which we refer to as “key performance indicators” (“KPIs”), including EBITDA margin, gross profit margin, NHS dentistry services revenue as a percentage of total revenue, total annual UDA delivery percentage, UDA contract uplift (as defined herein), private dentistry and practice services revenue as a percentage of total revenue, like-for-like private revenue growth, administrative expenses as a percentage of revenue and total number of dental practices. We believe that it is useful to include these non-UK GAAP and non-IFRS measures as they are used by us for internal performance analysis. These other non-UK GAAP and non-IFRS measures should not be considered in isolation or construed as a substitute for UK GAAP and IFRS measures in accordance with UK GAAP and IFRS. For a description of certain of our KPIs, see “Management’s discussion and analysis of financial condition and results of operations—Description of key line items—Other financial information (non-IFRS and non-UK GAAP).”

Certain definitions

In this offering memorandum:

- “**BDA**” means the British Dental Association;
- “**BidCo**” means Turnstone Bidco 1 Limited;
- “**Board**” or “**Directors**” means the Board of Directors of the Issuer;
- “**Clearstream**” means Clearstream Banking, *société anonyme*;
- “**CMA**” means the United Kingdom’s Competition and Markets Authority;
- “**Collateral**” has the meaning ascribed to it in “Description of the Notes—Security”;
- “**CQC**” means the United Kingdom’s Care Quality Commission;
- “**Department of Health**” means the United Kingdom’s Department of Health;
- “**Dolby Medical**” means Dolby Medical Limited, a dental equipment and services supplier that we acquired on 31 March 2016;
- “**EquityCo**” means Turnstone Equityco 1 Limited;
- “**EU**” means the European Union;
- “**Euro**” or “**€**” means the lawful currency of the Member States of the European Union participating in the European Monetary Union;
- “**Euroclear**” means Euroclear Bank SA/NV;
- “**Existing Fixed Rate Notes**” means the £200.0 million in aggregate principal amount of the Issuer’s 6% senior secured fixed rate notes due 2018 issued on 30 May 2013, obligations under which are expected to be satisfied and discharged concurrently with completion of the Offering pursuant to the Existing Notes Redemption;
- “**Existing Floating Rate Notes**” means the £225.0 million in aggregate principal amount of the Issuer’s senior secured floating rate notes due 2018 issued on 30 May 2013 and 9 May 2014, obligations under which are expected to be satisfied and discharged concurrently with completion of the Offering pursuant to the Existing Notes Redemption;
- “**Existing Notes**” means, collectively, the Existing Fixed Rate Notes, the Existing Floating Rate Notes and the Existing Second Lien Notes;
- “**Existing Notes Redemption**” means the satisfaction and discharge of the Issuer’s obligations under the indentures governing the Existing Notes on the Issue Date in connection with the Refinancing;
- “**Existing Revolving Credit Facility**” means the revolving credit facility governed by the Existing Revolving Credit Facility Agreement;
- “**Existing Revolving Credit Facility Agreement**” means the £100.0 million super senior revolving credit facility agreement dated as at 20 May 2013, amongst, *inter alios*, Turnstone Midco 2 Limited, Turnstone Bidco 1 Limited and Credit Suisse AG, London Branch and J.P. Morgan Limited as arrangers;
- “**Existing Second Lien Notes**” means the £75.0 million in aggregate principal amount of the Issuer’s 8½% second lien notes due 2019 issued on 30 May 2013, obligations under which are expected to be satisfied and discharged concurrently with completion of the Offering pursuant to a redemption of such Existing Second Lien Notes that will be funded with the proceeds from the Refinancing;

- “**FSMA**” means the Financial Services and Markets Act 2000;
- “**GDC**” means the United Kingdom General Dental Council;
- “**GDS Contract**” means a general dental services contract with NHS England;
- “**GP**” means a general practitioner of medicine;
- “**Guarantees**” means the guarantees of the Notes on a senior secured basis by the Guarantors;
- “**Guarantors**” means, collectively, the Parent Guarantor and the Subsidiary Guarantors;
- “**HMRC**” means HM Revenue & Customs;
- “**IDH**” means Integrated Dental Holdings;
- “**IFRS**” means the International Financial Reporting Standards as adopted by the European Union;
- “**Indenture**” means the indenture governing the Notes dated as at the Issue Date by and amongst, *inter alios*, the Issuer and the Trustee, as described in “Description of the Notes”;
- “**Initial Purchasers**” means Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities plc, Goldman Sachs International, ING Bank N.V., London Branch, Lloyds Bank plc, Mizuho International plc, Société Générale and The Royal Bank of Scotland plc;
- “**Intercreditor Agreement**” means the intercreditor agreement dated on or about the Issue Date amongst the Parent Guarantor, BidCo, the Issuer, the Trustee, the Subsidiary Guarantors, ING Bank N.V., London Branch, as facility agent, the lenders under the New Revolving Credit Facility Agreement and the Security Agent to govern the relationships and relative priorities of, amongst others, the holders of the Notes and the lenders under the New Revolving Credit Facility;
- “**IRS**” means the US Internal Revenue Service;
- “**Issue Date**” means 5 August 2016;
- “**Issuer**” means IDH Finance plc, a public limited company incorporated under the laws of England and Wales on 7 May 2013, with registered number 08516986. and a registered office located at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom;
- “**Med-FX**” means Med-FX Limited, the facial aesthetics business that we acquired on 31 August 2015;
- “**MidCo**” means Turnstone Midco 1 Limited, a wholly owned subsidiary of EquityCo and the indirect parent company of the Issuer;
- “**New Revolving Credit Facility**” means the revolving credit facility governed by the New Revolving Credit Facility Agreement;
- “**New Revolving Credit Facility Agreement**” means the £100.0 million super senior revolving credit facility agreement dated on or about the Issue Date, amongst, *inter alios*, the Parent Guarantor, BidCo, Credit Suisse AG, London Branch, ING BANK N.V., London Branch, Lloyds Bank plc, Mizuho Bank, Ltd, Société Générale, London Branch, and The Royal Bank of Scotland plc as arrangers and the Security Agent;
- “**NHS**” means the United Kingdom’s National Health Service;
- “**NHS England**” means England’s independent national health services commissioning board, an executive non-departmental public body under the Department of Health in England, formerly known as the NHS Commissioning Board;

- **“NHS Improvement”** means the NHS organisation responsible for overseeing foundation trusts and NHS trusts, as well as independent providers that provide NHS-funded care;
- **“NHS Regions”** means one of the four NHS regions or their respective sub-regions that act on behalf of NHS England, with responsibilities for primary care contract management in England;
- **“Notes”** means, collectively, the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes;
- **“Offering”** means the offering of the Notes;
- **“Parent Guarantor”** means Turnstone Midco 2 Limited, the direct parent company of the Issuer;
- **“Paying Agent”** means Elavon Financial Services DAC, UK Branch;
- **“PDS Contract”** means a personal dental services contract with NHS England;
- **“PDS Dental Laboratories Leeds”** means PDS Dental Laboratory Leeds Limited, a laboratory providing crown and bridge work, dentures and implant assistance to dentists across the United Kingdom that we acquired on 18 March 2016;
- **“Pound,” “pounds sterling,” “U.K. pound” or “£”** mean the lawful currency of the United Kingdom;
- **“Private Placement”** has the meaning ascribed to it in “Summary—The Refinancing—Private Placement of Second Lien Notes”;
- **“Proceeds Loans”** means the proceeds loans dated on or about the Issue Date from the Issuer to BidCo, representing the net proceeds from the Offering;
- **“Prospectus Directive”** means EU Prospectus Directive (2003/71/EC) (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State);
- **“PTPL”** means Petrie Tucker & Partners Limited;
- **“Purchase Agreement”** means the purchase agreement dated on or about the date hereof relating to the Notes to be entered into amongst the Issuer, the Guarantors and the Initial Purchasers;
- **“Qualified Institutional Buyer” or “QIB”** has the meaning given by Rule 144A under the US Securities Act;
- **“Qualified Investors”** means persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive;
- **“Refinancing”** means the transactions described under “Summary—The Refinancing”;
- **“Registrar”** means Elavon Financial Services DAC;
- **“Regulation S”** means Regulation S under the US Securities Act;
- **“Rule 144A”** means Rule 144A under the US Securities Act;
- **“Second Lien Commitment Letter”** means the commitment letter dated as of 20 July 2016, between entities associated with Goldman Sachs Merchant Banking Division and the Issuer in relation to the Private Placement;
- **“Second Lien Notes”** means the £130.0 million in aggregate principal amount of the Issuer’s senior second lien notes due 2023 to be placed by the Issuer with certain private investors pursuant to the Private Placement on or about the Issue Date described under “Description of other indebtedness—Second Lien Notes”;

- **“Security Agent”** means U.S. Bank Trustees Limited;
- **“Security Documents”** means the agreements to be entered into between, amongst others, the Security Agent, the Issuer and the Guarantors pursuant to which security interests in the Collateral are granted to secure the Notes, which as at the Issue Date will consist of (i) an English law governed debenture, (ii) a Scots law governed bond and floating charge and (iii) a Scots law governed share pledge;
- **“Senior Secured Fixed Rate Notes”** means the £275.0 million in aggregate principal amount of the Issuer’s 6¼% senior secured fixed rate notes due 2022 offered hereby;
- **“Senior Secured Floating Rate Notes”** means the £150.0 million in aggregate principal amount of the Issuer’s senior secured floating rate notes due 2022 offered hereby;
- **“Subsidiary Guarantors”** means those companies set out under “Listing and general information—Issuer and Guarantor information—Subsidiary Guarantors”;
- **“Transfer Agent”** means Elavon Financial Services DAC, UK Branch;
- **“Trustee”** means U.S. Bank Trustees Limited in its capacity as trustee of the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes, as the context requires;
- **“UDA”** means unit of dental activity;
- **“UK GAAP”** means the generally accepted accounting practices in the United Kingdom;
- **“UK Government”** means the government of the United Kingdom;
- **“United Kingdom”** or **“UK”** means the United Kingdom of Great Britain, Northern Ireland, Guernsey, Jersey and the Isle of Man;
- **“United States,” “US”** or **“U.S.”** means the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia;
- **“US dollars”** or **“US\$”** means the lawful currency of the United States;
- **“US Exchange Act”** means the United States Securities Exchange Act of 1934, as amended;
- **“US GAAP”** means the generally accepted accounting principles in the United States;
- **“US Securities Act”** means the United States Securities Act of 1933, as amended;
- **“we”** or **“us”** means the Parent Guarantor and its subsidiaries, unless where expressly stated otherwise or where the context requires otherwise; and
- **“Whitecross”** means Whitecross Dental Care Limited.

Exchange rates

The following table sets out for the periods indicated below the high, low, average and period end exchange rates as published by Bloomberg, expressed as US dollars per £1.00.

The average exchange rate of the pound on 18 July 2016 was US\$1.3258 = £1.00.

	US dollars per £1.00			
	High	Low	Average	Period End
Year⁽¹⁾				
2011	1.6694	1.5509	1.6104	1.5509
2012	1.6242	1.5416	1.5925	1.6242
2013	1.6566	1.5174	1.5664	1.6566
2014	1.7165	1.5515	1.6474	1.5581
2015	1.5872	1.4654	1.5283	1.4734
Monthly⁽²⁾				
February 2016.....	1.4669	1.3834	1.4302	1.3913
March 2016.....	1.4516	1.3899	1.4251	1.4394
April 2016.....	1.4672	1.4005	1.4318	1.4626
May 2016	1.4772	1.4333	1.4531	1.4515
June 2016	1.4810	1.3214	1.4212	1.3268
July 2016 (through 18 July 2016)	1.3321	1.2903	1.3163	1.3258

Notes:

- (1) The figure in the "Average" column represents the average noon buying rate on the last business day of each month during the relevant period.
- (2) The figure in the "Average" column represents the average daily noon buying rate for each business day during the relevant period. For the month of July, the relevant period extends through 18 July.

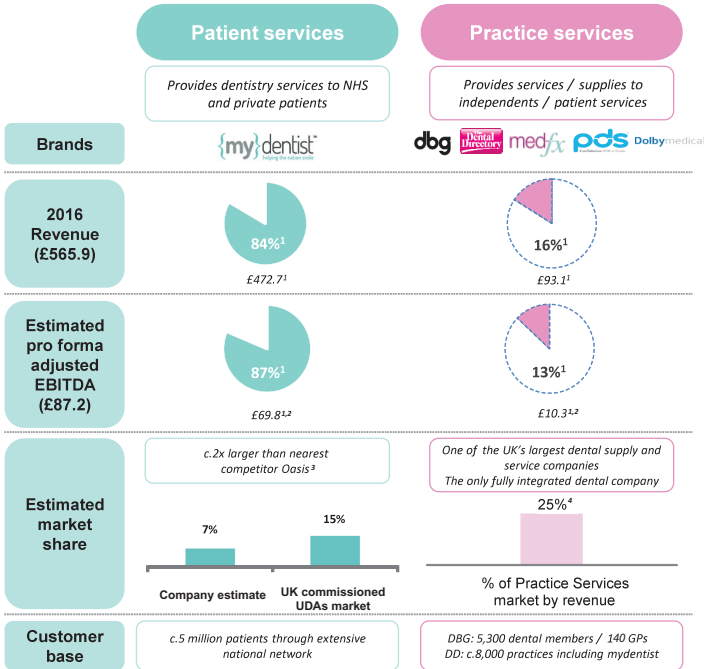
Summary

This summary highlights only selected information contained elsewhere in this offering memorandum. It is not complete and does not contain all the information you should consider before investing in the Notes. You should carefully read this entire offering memorandum. You should also read the information under "Risk factors," beginning on page 35 of this offering memorandum for more information about important risks that you should consider before investing in the Notes. Any forward-looking statements are made subject to the information disclosed under "Forward-looking statements" on page vi of this offering memorandum.

Overview

We are Europe's largest vertically-integrated dental business and the United Kingdom's number one dental practice chain, with a focus on delivering the best possible patient care, highest clinical standards and a comprehensive choice of treatments through our growing UK dental practice network. We operate our business through two divisions: patient services and practice services. We are the leading provider of dental services in the United Kingdom through our patient services division, with 598 NHS dentistry contracts across our network of 674 dental practices throughout England, Scotland, Wales and Northern Ireland. As at 31 March 2016, our patient services division had a market share of approximately 7% in terms of revenue and a market share of approximately 5% in terms of number of practices and held contracts for approximately 15% of all units of dental activity ("UDAs") commissioned in England and Wales. Our dental practices, operating under the "mydentist" brand, offer a broad range of primary care dental services, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. We are also a leading provider of private dentistry services in the United Kingdom, which has grown quickly as the UK economy has strengthened. We operate in the UK dental market, which benefits from stability in terms of volume and pricing and from favourable systemic trends, including continued government focus on improving access to dental services, favourable demographic trends and an increasing overall spend on dentistry. Through our practice services division, we are a leading supplier of dental and other medical consumables and materials and services (including installation and servicing of specialized dental equipment), selling dental supplies and services to at least 8,000 dental practices, including our patient services division's dental practices, with an estimated market share of 25% in the United Kingdom, by revenue. In the twelve months ended 31 March 2016, we recorded revenue of £565.9 million and generated estimated pro forma adjusted EBITDA of £87.2 million.

The following graphic provides an overview of our operations for the twelve months ended 31 March 2016 (£ in millions):

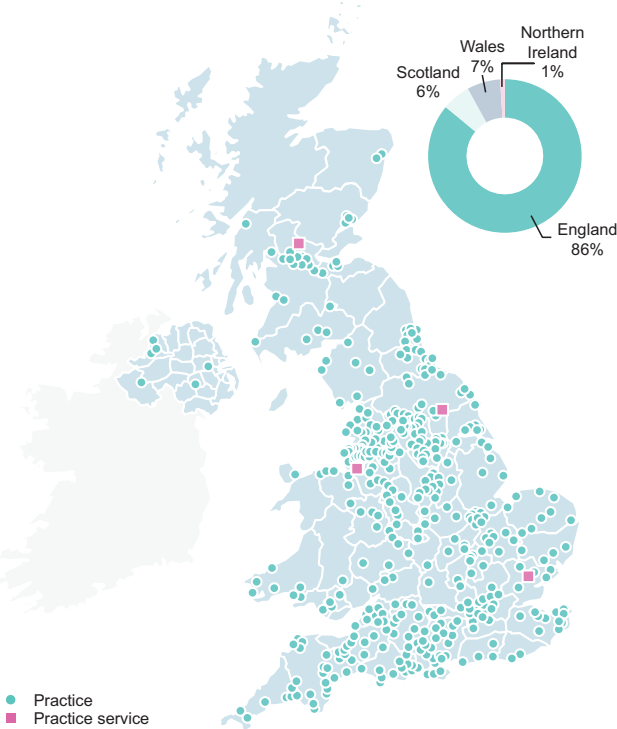


- (1) After intercompany eliminations.
- (2) The amount shown represents the proportion of EBITDA before exceptional items generated by our patient services division or practice services division, as appropriate. For a reconciliation of estimated pro forma adjusted EBITDA to EBITDA before exceptional items, see footnote 2 to "Summary—Summary historical consolidated and pro forma combined consolidated financial information and other data—Other financial data."
- (3) Oasis market shares adjusted to reflect the acquisition of Smiles and Apex dental care.
- (4) Excludes laboratories.

Patient services

For the twelve months ended 31 March 2016, our patient services division generated revenue of £472.7 million (constituting 83.5% of our total revenue after intercompany eliminations) and EBITDA before exceptional items of £69.8 million (constituting 87.1% of our EBITDA before exceptional items after intercompany eliminations). Our patient services division's core business is the provision of primary care dental services under long-term contracts with NHS England in England and Welsh health boards in Wales, which we refer to as "NHS dentistry services." NHS dentistry services accounted for 68.3% of our group revenue for the twelve months ended 31 March 2016. The majority of our dental practices also provide private dentistry services, including general dentistry, hygienist, and cosmetic services, with a smaller number offering specialist services, such as sedation, implants and orthodontics. Private dentistry services accounted for 15.3% of our group revenue for the twelve months ended 31 March 2016. As the UK economy has strengthened, we have observed an increase in demand for private cosmetic dentistry and revenue from our private dentistry services has grown accordingly, with like-for-like growth of 8.6%, 12.2% and 11.6% for the twelve months ended 31 March 2014, 2015 and 2016, respectively. Of our dental practices, 86% are located in England, with 6% in Scotland, 7% in Wales and 1% in Northern Ireland.

The following map shows the broad footprint of our dental practices across England, Scotland, Wales and Northern Ireland as at 31 March 2016.



We provide NHS dentistry services in England and Wales pursuant to contracts competitively tendered with the NHS specifying targeted annual volumes of UDAs for the contracted dental practice or entity. We refer to these contracts as “NHS dentistry contracts.” Unlike other UK health subsectors, such as care homes, there is no single NHS dentistry contract. Instead, our individual dental practices enter into separate NHS dentistry contracts with NHS England (or, in the case of Wales, with Welsh health boards). As at 31 March 2016, our dental practices were contracted under 598 such NHS dentistry contracts. Each NHS dentistry contract in England and Wales for UDAs specifies a fixed UDA volume per year target, and each UDA delivered under an NHS dentistry contract is assigned a fixed value in a given year, with the number of UDAs per treatment varying based on the treatment provided. The volume of UDAs under a given contract does not change year-to-year, and the value assigned to a contract has historically increased year-to-year.

Approximately 93% of our NHS dentistry contracts, covering 59% of our revenue in the twelve months ended 31 March 2016, consist of general dentistry services (“GDS”) contracts, which we refer to as “evergreen” as they have no fixed term and roll over indefinitely except in case of repeated UDA underperformance of more than 4% (or 5% in Wales) in any three years, at which point the number of UDAs under an individual contract may be rebalanced or, in extreme cases, the GDS Contract may be terminated. None of our GDS Contracts have ever been terminated. UDA rates are set annually and historically have benefited from annual price increases (“contract uplifts”), with the contract uplift for the contract year ending 31 March 2016 constituting a 1.34% increase over the prior contract year for England (with an uplift of 1.34% in Wales and 1.60% in Scotland). In the last 15 years, NHS England has never reduced annual prices, and for the contract year ending 31 March 2017, NHS England has announced a 0.70% uplift (1.00% in Wales) in prices.

Since the contract year ending 31 March 2011, our five-year average for UDA delivery rates (that is, the percentage of contracted services actually delivered) under NHS dentistry contracts is 96.8%. In the contract year ending 31 March 2016, our UDA delivery rates decreased to 92.4%, due to short-term, industry-wide factors, including increased NHS scrutiny of claims (which has resulted in dentists spending more time recording notes detailing patient care and

thereby resulting in longer appointment times) and performance benchmarks and a decrease in exempt patients (such as individuals on state benefits) as a result of the improving UK economy. While some of this decrease in productivity under NHS dentistry contracts has been offset by growth in the provision of private dentistry services and in the NHS dentistry contract price uplifts, we are also actively taking measures to recover UDA performance, including providing training to dentists to improve UDA productivity through improved diary and claims management, working with dentists to increase their working hours and refocusing our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%. Each 1% increase or decrease in UDA delivery equates to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items. The effect on our contracted UDAs has also been limited—on a net basis including new contract wins, our contracted UDAs reduced by only 0.5% for the twelve months ended 31 March 2016. Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items.

We are paid for our NHS dentistry services in equal monthly instalments of our annual contracted value. This results in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying related costs. Any underperformance in terms of UDA delivery must be repaid, where requested, to the NHS after the contract year end, or repaid over subsequent contract years. We have never had to make a repayment of more than £2 million to the NHS in respect of any single contract. Private dentistry services are typically paid for by the patient at the point of treatment.

A typical dental practice for us has four dental chairs on average, with three or four self-employed, independently contracted dentists offering primary care dental services under an NHS dentistry contract, supported by three nurses employed by us. As at 31 March 2016, more than 2,600 self-employed, independently contracted dentists worked in our dental practices, supplemented by approximately 200 dentists not assigned to a single practice, which we refer to as "locums," and supported by approximately 6,700 dental and central support staff. In addition, 463 hygienists work across our dental practices.

We own the NHS dentistry contracts and infrastructure of our dental practices and employ the dental support staff, whilst contracting with self-employed dentists for provision of dental services. We believe our business model is attractive to dentists as we enable dentists to focus on dentistry by taking on the administrative, regulatory and compliance burdens associated with running a dental practice. Amongst our most significant costs are dentist fees and costs for laboratory work and materials, all of which are directly linked to volumes of sales and activity. In part as a result of the establishment of our practice services division, we centralise and insource the procurement of equipment and materials used in our patient service division's dental practices to generate economies of scale and lower our costs. Our patient services division's dental practices purchase their dental consumables, materials, equipment installation, maintenance and engineering work, as well as any other products that our practice services divisions offers, internally.

Practice services

Our practice services division is one of the two leading suppliers in the United Kingdom's fragmented dental consumables, materials and services markets, with an estimated market share of 25%. For the twelve months ended 31 March 2016, our practice services division had revenue of £93.1 million after intercompany eliminations (constituting 16.4% of our total revenue after intercompany eliminations) and EBITDA before exceptional items of £10.3 million (constituting 12.9% of our EBITDA before exceptional items after intercompany eliminations). Our practice services division provides support to our patient services division's dental practices, as well as providing a wide range of products and services to the wider UK dental and healthcare sectors, including at least 8,000 dental practices in the United Kingdom. The integration of our patient services division's dental practices with its supply chain and service

providers in the practice services division has resulted in significant cost savings and synergies, as we capture margin that would otherwise be paid to third-party suppliers and benefit from certain VAT exemptions. Our practice services division also provides us with an additional avenue for growth beyond the acquisition of dental practices, and we intend to consider opportunistic acquisitions to continue to expand the offerings of our practice services division.

The following table provides information about the businesses that we have acquired which form our practice services division:

Name	Acquisition Year	Business
Dental Buying Group (“dbg”)	2013	Supplier of dental equipment, services, training and supplies
The Dental Directory.	2014	Distributor of dental consumables and materials to dental practices throughout the United Kingdom
Med-FX.	2015	Supplier of facial aesthetic products
PDS Dental Laboratories Leeds	2016	Leading dental laboratory
Dolby Medical	2016	Medical supplies and equipment servicing business based in Scotland

We have consolidated dbg, the Dental Directory and Med-FX to distribute their catalogue of approximately 25,000 products from a central logistics platform through an online and telesales order service. The products offered by our practice services division include dental consumables, specialist products including orthodontics and oral hygiene and implant products and dentistry equipment ranging from dental chairs and cabinetry to digital imaging systems. As we integrate the acquisition of PDS Dental Laboratory Leeds, we will seek to insource much of the laboratory work required by our patient services division’s dental practices. Our practice services division also carries out services such as installation and maintenance of specialised dentistry equipment (such as its hand piece repair business), training and membership services. Our practice services division also includes our academy, a dentist training centre and online training initiative for continued professional training of dentists, hygienists and nurses that we launched in 2013. Our academy is the first major private post-graduate dental training facility owned by a dental body corporate in the United Kingdom, and it demonstrates our ongoing commitment to our dentists and support staff.

Industry overview

The market value for dental care in the United Kingdom was estimated by Mintel to be £9.6 billion in the twelve months ended 31 March 2016, with £3.84 billion in spending on NHS dentistry services, £3.35 billion on private dentistry services and £2.40 billion on private cosmetic dentistry services. According to Mintel, expenditure on dental care in the United Kingdom has grown by a cumulative 17% since the twelve months ended 31 March 2012. Despite the UK Government’s stated policy of expanding access to NHS dentistry services to 64% of the UK population, less than 55% of the population of England accessed a NHS England dentist in the 24 months ended 30 June 2015, according to Mintel. NHS dentistry services have demonstrated resilience during periods of economic weakness in the United Kingdom. Between 1998 and 2013, the NHS dentistry services market grew in terms of expenditure by approximately 5% per year on average from 1998 to 2013 in nominal terms, despite recurrent cycles of macroeconomic volatility during this period. Whilst the economic recession of 2008 to 2009 resulted in a decline in demand for private dentistry services owing to increased unemployment and a reduction in discretionary spending, demand for the more affordable NHS dentistry services increased. The NHS relies on private provision of dental care—we estimate that 95% of all NHS dentistry is provided by the private sector. The market for dental services in the United Kingdom remains highly fragmented and is predominantly characterised by a large number of independent

practices. Compared to the mental health and elderly care sectors in the United Kingdom, we believe that the dentistry services sector has the lowest concentration of corporate operators. We estimate that the two leading dental service providers in the United Kingdom together represent approximately 10% of the total market share in terms of revenues, with independent practices constituting a significant majority of the remainder of the market. Mintel estimates that the UK dental market has 13,815 practices.

The UK market for dental and other health care consumables, materials, specialised equipment installation and servicing is highly fragmented, which we estimate represents £400-500 million in spending per year for primary dentistry, with significantly larger adjacent markets for laboratories, training, corporate, wholesale, export and specialist sales.

Competitive strengths

Our business benefits from a number of competitive strengths, including the following.

Large and stable market with attractive characteristics

Our patient services division's core NHS dentistry services market is a large and stable market that has averaged growth in terms of expenditure of approximately 5% per year on average from 1998 to 2013 in nominal terms. For the twelve months ended 31 March 2016, the UK dental care market was estimated by Mintel to have generated £3.84 billion in expenditure on NHS dentistry services, £3.35 billion in spending on private general dentistry services and £2.40 billion on private cosmetic dentistry services, having grown by a cumulative 17% since the twelve months ended 31 March 2012. Approximately 30 million patients received dental care under the auspices of the NHS in England during the two years ended 30 June 2015. The NHS dentistry services market benefits from stability in terms of both volume and pricing, with approximately 59% of our revenue in the twelve months ended 31 March 2016 covered by evergreen GDS Contracts, and with a track record of historical increases in nominal UDA values. Whilst the economic recession of 2008 to 2009 resulted in a decline in demand for private dentistry services owing to increased unemployment and a reduction in discretionary spending, demand for the more affordable NHS dentistry services increased. On the other hand, an improving UK economy typically benefits private dentistry, as more patients purchase self-funded private dentistry services, such as white fillings and teeth whitening.

Unlike other UK healthcare subsectors, such as mental health and private acute medical care, there is little risk of insourcing of dental services by internal NHS providers, as we estimate 95% of all NHS dentistry is provided by the private sector (both corporate-owned and independent practices). Nor is dentistry a large target for government austerity measures, constituting approximately 3% of the total NHS operating expenditures in the twelve months ended 31 March 2015. In nominal terms, funds allocated by the UK Government for dentistry have generally increased since 1998, and we believe that funding for NHS dentistry is likely to grow at or above inflation given systemic demand in the foreseeable future. The UK Government considers dentistry a key front-line service and has announced a goal of increasing access to dentistry to 64% of the population. We believe we are well-positioned to benefit from the UK Government's focus on growth in dentistry access, as well as from favourable demographic and consumer trends, such as an aging population and increased understanding of the importance of good dental hygiene.

Leading provider of dental services and dental and other medical consumables, materials and services in the United Kingdom, with unparalleled scale and geographic diversity in terms of dental practices

We are the leading provider of dental services in the United Kingdom through our patient services division and a leading provider of dental and other medical consumables, materials and services in the United Kingdom through our practice services division. As at 31 March 2016, our

patient services division has a market share of approximately 5% in terms of number of dental practices in the United Kingdom, and a market share of approximately 7% in terms of revenues, with approximately 15% of all UDAs commissioned in England and Wales for the twelve months ended 31 March 2016. With 598 NHS dentistry contracts, 674 dental practices, more than 2,600 dentists, and our footprint across England, Scotland, Wales and Northern Ireland, we are well diversified within the UK dental market, and not dependent on any single contract, practice or region. We focus predominantly on NHS dentistry services, which generated 68.3% of our revenue for the twelve months ended 31 March 2016 and drives our market leadership. We are also a leading provider of private dentistry services in the United Kingdom, with an estimated market share of approximately 2.6% in terms of revenue for the twelve months ended 31 March 2016. Through our practice services division, we supply dental and other medical consumables, materials and services in the United Kingdom, with an estimated market share of 25% (excluding laboratories). Our strong industry presence and reputation make us an important partner for the NHS in respect of dental and orthodontic services.

Strong track record of growth driven primarily by dental practice acquisitions

We have an established platform for further targeted growth through NHS dentistry contract and dental practice acquisitions, having acquired 232 dental practices in the period from 11 May 2011 to 18 July 2016. We employ a disciplined acquisition strategy honed over the last 20 years and centred on the acquisition of practices with NHS dentistry contracts with three or more chairs. We buy practices to acquire their evergreen GDS Contracts, with a focus on the acquired practices' historical UDA delivery rates, the retention of key personnel and complementary private revenue generation. In particular, we have refocused our acquisition strategy on acquiring dental practices that have consistently delivered 96% or more of their contracted UDAs each year. As we are buying contracted revenues paid monthly, we receive an immediate revenue impact from the dental practices we acquire due to the fact that such practices are already operational. Our experienced acquisitions team manages the acquisition pipeline, generating leads for the majority of the acquisitions we make. Once a practice is acquired, our integration team works to deliver synergies in procurement and back-office cost savings.

On a portfolio basis, we believe the EBITDA projections resulting from our acquisitions team's due diligence have been generally in line with post-acquisition results, and acquired practices have generally enjoyed EBITDA consistency before and after their acquisition by us. We believe our due diligence methodology produces accurate results and allows us to acquire dental practices at competitive multiples of EBITDA valuations as (i) we know the number of contracted UDAs, (ii) UDA delivery percentage and private revenue generation tend to maintain consistency, (iii) dentist costs are contracted and (iv) we are able to apply our known cost base to the dental practices we acquire.

With 13,815 dental practices according to Mintel, the large majority of which are independent, the UK dental market is highly fragmented, and we believe there is scope for additional consolidation as dentists retire or sell their dental practices to become independent contractors due to the administrative, regulatory and compliance burden of owning their own dental practice. As a consequence, we have typically acquired 40-60 dental practices per year, with such acquisitions, as well as acquisitions in our practice services division, generating incremental EBITDA of £7-10 million per year in aggregate on average, though the number of practices we acquire each year may decrease as we refocus on practices with UDA delivery of at least 96% at acceptable EBITDA multiples. We believe that as the leading provider of dental services in the United Kingdom, we make an attractive purchaser for a dentist selling his or her practice, as we allow dentists to focus on dentistry by taking on the administrative, regulatory and compliance burdens associated with running a dental practice. We also grow organically through our private dentistry services offering. In addition, organic growth has benefited from new builds, greenfield projects and new NHS dentistry contract wins.

Our practice services division provides us with an additional avenue for growth beyond the acquisition of dental practices, and we intend to consider opportunistic acquisitions of high-quality suppliers of dental and other medical consumables, materials and services to continue to expand the offerings of our practice services division.

Stable, primarily evergreen NHS-contracted revenue base with high revenue visibility

Our patient services division benefits from a predominantly evergreen contractual base, which provides high visibility for our revenues. Of our group revenue, 68.3% for the twelve months ended 31 March 2016 was contracted with the NHS. Approximately 93% of our NHS dentistry contracts, covering 59% of our revenue in the twelve months ended 31 March 2016, consisted of GDS Contracts that roll over indefinitely except in cases of repeated UDA underperformance of more than 4% (or 5% in Wales). We have averaged total UDA delivery rates on our NHS dentistry contracts (including amounts carried forward and new contract wins) in excess of 96% over the contract years between 2008 and 2015, and none of our GDS Contracts have ever been terminated. In the contract year ending 31 March 2016, our UDA delivery rates decreased to 92.4%, due to short-term, industry-wide factors, including increased NHS scrutiny of claims (which has resulted in dentists spending more time recording notes detailing patient care and thereby resulting in longer appointment times) and performance benchmarks and a decrease in exempt patients as a result of the improving UK economy. While some of this decrease in productivity under NHS dentistry contracts has been offset by growth in the provision of private dentistry services and in the NHS dentistry contract price uplifts, we are also actively providing training to dentists to improve UDA productivity, through improved diary and claims management, working with dentists to increase their working hours and refocusing our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%. Each 1% increase or decrease in UDA delivery equates to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items. The effect on our contracted UDAs has also been limited—on a net basis including new contract wins, our contracted UDAs reduced by only 0.5% for the twelve months ended 31 March 2016. Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items.

Nor are these contracts subject to administrative change—in England and Wales the basis for our contracts may only be changed pursuant to a statutory instrument laid before Parliament. Since UDAs were introduced in 2006, UDA rates have historically benefited from annual contract uplifts, with an uplift of 1.34% for the contract year ending 31 March 2016 (with an uplift of 1.34% in Wales and 1.60% in Scotland). In the last 15 years, NHS England has never reduced prices, and for the contract year ending 31 March 2017, NHS England has announced a 0.70% uplift (1.00% in Wales) in prices. Our contracted volumes under evergreen GDS Contracts, combined with the historical uplifts in UDA rates in nominal terms, provide us with a high degree of revenue visibility. At the beginning of each month we receive 1/12 of the annual contracted value of our NHS dentistry contracts, resulting in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying related costs. Our contracts—which we typically hold through our subsidiaries and operating partnerships, not our dentists—are a barrier to entry, as NHS dentistry services in England may only be provided under a NHS dentistry contract. Moreover, we believe we also benefit from our scale and industry presence when tendering to acquire new NHS dentistry contracts. The resilience of our results have benefited from our focus on our core NHS dentistry services, as NHS dental expenditures have remained stable throughout recent economic downturns, whilst demand for private dentistry services has demonstrated degrees of cyclicity.

A dentistry brand with national scale

We began rolling out our “mydentist” brand at the end of 2015 as a way to increase brand identification and to expand dentistry as a retail proposition. As at 31 March 2016, we had

rolled out the “mydentist” brand to 418 of our dental practices. No other dentistry brand in the United Kingdom has the same scale in terms of number of practices as “mydentist.” Dentistry in the United Kingdom has historically been less consumer-oriented than other high street healthcare providers such as opticians and pharmacists. The goal of rebranding is to attract new patients and clinicians and to differentiate us from our competitors. Our rebranding campaign is also intended to improve the in-practice customer journey and to facilitate upselling and cross-selling of our dentistry services across our business. We have combined our rebranding as “mydentist” with expanded local marketing, call centre support, an expanded presence online, including via our website (where customers can now book and amend appointments online), text message reminders of appointments and social media. In addition, we are also piloting regional television advertising. Initial results from our rebranding have been encouraging with increased new patient registrations, growth in private dentistry services and improved patient feedback recorded across our branded practices.

Variable cost base directly linked to sales volume, with low rental expense and economies of scale

We estimate that up to 70% of our patient services division’s costs are variable and tied to sales volumes and activity. Dentists working in our practices are self-employed, independent contractors who pay us a notional licence fee and receive a fixed rate per UDA delivered, in the case of NHS dentistry services, and a percentage of fees paid for private dentistry services delivered. We negotiate dentist contracts on an individual basis and believe that dentists’ interests are strongly aligned with ours to maximise dental activity and UDA delivery. We are also able to efficiently deploy our dentists, hygienists and nurses across dental practices as needed, providing us an advantage in terms of productivity generated from our fixed costs over that of our smaller competitors. Costs paid for laboratory work, which we generally split evenly with dentists, and materials are also linked to dental activity performed. The scale of our patient services division provides us with advantages over our smaller competitors. We centralise and insource support functions that would otherwise be borne by dentists, including information technology (“IT”), compliance, regulatory requirements, property and equipment maintenance, legal, finance, human resources, health and safety, risk management, talent sourcing, training, marketing, insurance and logistics. In addition, we benefit from low property costs, with rent costs constituting less than 3% of our revenue in the twelve months ended 31 March 2016, and favourable lease dynamics due to the nature of the properties we rent. We have relatively low property maintenance costs, which we closely manage through a central estate management function and, as we provide NHS dentistry services, most of our rates (including UK business property taxes) are reimbursed by the NHS.

Vertically integrated business model

We are active in both the provision of dental care to patients through our patient services division and the provision of consumables, materials and services to dental practices, including those in our patient services division, and their suppliers through our practice services division. We have integrated dbg, The Dental Directory and Med-FX, and are in the process of integrating PDS Dental Laboratories Leeds and Dolby Medical, into a single, full-service provider of dentistry-related supplies and services, both branded and non-branded, to our patient services division’s dental practices as well as to third-party dental practices and the wider healthcare sector. This vertically-integrated business model linking our patient services division’s dental practices to our practice services division’s suppliers has resulted in significant cost savings and synergies, as we capture margin that would otherwise be paid to third-party suppliers and benefit from certain VAT exemptions.

Strong financial performance with high levels of cash conversion

We have historically demonstrated an ability to maintain stable performance in EBITDA before exceptional items and EBITDA margins that we believe are in excess of those of our primary competitors. During the twelve months ended 31 March 2016 and 2015, we generated EBITDA

margins of 14.2% and 14.4%, respectively. Our estate of dental practices across the United Kingdom is consistently profitable, with 97% of our dental practices' EBITDA before central costs and exceptional items positive, with an average EBITDA before central costs and exceptional items per practice of £179,000 for the twelve months ended 31 March 2016. Our top 200 dental practices generated approximately 58% of our EBITDA before exceptional items, and only 19 of our practices were loss-making, in each case for the twelve months ended 31 March 2016. Due in part to our low levels of maintenance capital expenditures and movements in working capital (3.9% and 3.2%, respectively, of revenue in the twelve months ended 31 March 2016), we have historically maintained high levels of cash conversion. Because we are paid 1/12 of the annual value of our NHS contracts at the beginning of each month, we have a well-matched cash flow and cost profile as we typically receive payments on our NHS contracts prior to paying related costs. This cash flow profile also means that the NHS-contracted practices we acquire are immediately cash positive for us. Following the completion of the roll-out of the "mydentist" brand to the majority of our dental practices towards the end of 2016, we expect a portion of the increase in our capital expenditures related to the rebranding to reduce, relative to our revenues, to levels more typical for our business. As such we expect to make capital expenditures equivalent to approximately 4% of patient services revenue in the twelve months ending 31 March 2017.

Strong and experienced management team and shareholder support

We believe our senior management team is well-positioned to deliver growth, with a proven record in the healthcare services sector and the ability to create value through acquisitive integration and practice rollouts. Our senior management team is led by our CEO, Terry Scicluna, who has extensive experience in UK healthcare and retail experience and in managing multi-site businesses. Mr. Scicluna is supported by CFO Mark Robson and a strong team of executives, including our other key personnel in clinical services, acquisitions, IT, property, finance and legal services. Our board of directors includes Mr. Barry Cockcroft, the former Chief Dental Officer for England, who acts as a non-executive director. We believe management incentives are aligned with our long-term goals, with a broad base of management holding a sizeable equity stake of 15.9% in EquityCo. We also benefit from the extensive market expertise, business relationships, and ongoing strong support of our shareholders, Carlyle and Palamon.

Our strategy

Maintain core NHS focus

We intend to maintain our patient services division's core focus on providing high-quality NHS dentistry services under NHS dentistry contracts to drive continued strong results, while also continuing to grow our private dentistry services business and our practice services division. We expect to maintain and expand our NHS-contracted revenue base by delivering higher levels of UDA performance under our predominantly evergreen NHS dentistry contracts and by acquiring contracted revenues through the acquisition of new practices. We also expect to grow our NHS dentistry services through new contract wins and greenfield projects, and to build on our strong industry presence and reputation for the provision of consistent, high-quality service.

Maintain and grow our patient services division's market-leading position by providing high-quality services and support to key stakeholders

We intend to maintain the market-leading position of our patient services division by continuing our focus on the key stakeholders in our NHS dentistry services, namely our patients, dental professionals, and the NHS and other regulators. Excellent patient care is our first priority, and we aim to continue to capitalise on improved customer feedback by combining our provision of consistent, high-quality dental care with more flexible and convenient services, such as online appointment booking, text message reminders and more-convenient opening hours. We are also leading industry efforts to improve clinical excellence and provide practice

transparency. We believe our business model is attractive to dentists as we allow them to focus on dentistry by taking on the administrative, regulatory and compliance burdens of dental practices. We intend to utilise our scale to attract and retain self-employed dentists and hygienists and our employee nurses. We have built and will continue to refine our centralised talent sourcing function, which benefits from the Academy, a dentist training centre and online training initiative for continued professional training of our dentists, hygienists and nurses which we launched in 2013. The employment of KPIs and centralised management systems improve visibility of dentist performance and drive UDA and private revenue delivery. We are also focused on retaining and training our hygienists and nurses, who provide critical elements of our dental services. The market-leading position of our patient services division benefits our reputation and our relationships with the NHS, the CQC, the GDC and other regulators. We intend to maintain our reputation and these relationships through continued consistent achievement of UDA delivery, thereby ensuring NHS dentistry contract retention and solidifying our revenue base. We actively seek dialogue with our partners at the NHS, the CQC and other regulators, and plan to continue to proactively participate in NHS pilot programmes to prepare for and advocate regulatory reforms.

Pursue an active, disciplined growth strategy of purchasing NHS practices with contracted revenues, complemented by selective private and specialist acquisitions and acquisitions to grow our practice services division

We intend to continue to pursue a strategy of expanding our contracted revenue base by selectively acquiring dental practices and their evergreen NHS dentistry contracts. With 13,815 dental practices according to Mintel, the large majority of which are independent, the UK dental market is highly fragmented, and we believe that there is scope for additional consolidation as dentists retire or sell their dental practices to become independent contractors due to the administrative, regulatory and compliance burden of owning their own dental practice. Whilst we maintain our focus on acquisitions in our core NHS dentistry services business, we also intend to opportunistically acquire practices with private dentistry services within our patient services division. We will also seek opportunities to acquire specialist suppliers and services that complement our core NHS dentistry services such as The Dental Directory, dbg, Med-FX, PDS Dental Laboratories Leeds and Dolby Medical. We aim to continue to improve and refine our acquisition processes to continue to improve deal conversion rates and reduce due diligence and acquisition timelines. In particular, we intend to refocus our acquisition strategy on acquiring dental practices that have consistently delivered 96% or more of their contracted UDAs each year. Whilst our ability to verify contracted revenues and contracted costs gives us high visibility of target dental practices' future performance, we intend to continue refining the accuracy of our due diligence and post-acquisition results. Further, we aim to efficiently integrate acquired practices into our estate so that they benefit from the economies of scale enjoyed by our other practices.

Continue to strengthen profitability through operational excellence and economies of scale

Whilst we differentiate our patient services through the provision of consistent, high-quality dental care to our patients, we believe that we are also able to drive cost synergies by standardising, simplifying and sharing systems and best practices across our group. We intend to drive patient numbers through postal and SMS marketing programmes, through investments in customer relationship management ("CRM") technology and through improved online interaction with our patients. We also plan to increase chair time available to dentists, and thereby our revenues, and limit the range of our future equipment maintenance requirements through a results-focused equipment replacement programme across our estate. Our initiatives aimed at centralising and insourcing IT, talent sourcing, training, estate management, compliance and health and safety and other functions across our estate will continue to drive efficiency, and we intend to lower costs by using our scale to negotiate volume discounts in supply chain sourcing and procurement, which also benefit from our practice services division.

At the same time, we intend to leverage the returns from our central costs to grow our revenues by investing in high-quality personnel, processes and IT. As part of our effort to exploit economies of scale, we also intend to continue to merge the smaller practices which we acquire into practices in our existing estate.

Complete the “mydentist” rebranding to attract new customers, increase brand identification and expand our dentistry offering as a retail proposition

We expect to complete the roll-out of our “mydentist” brand to the large majority of our practices toward the end of 2016. By transforming our business into a nationally-recognised dentistry brand, we intend to attract new customers, increase customer and clinician satisfaction, promote our NHS and private dentistry services and differentiate ourselves from our competition. We aim to deliver a consistent customer experience that reinforces our brand and helps to drive sales, and have implemented new training programmes for clinicians, implemented an online booking system and extended our trading hours to achieve this. In addition, we have sought to improve the environment within our dental practices by redecorating and refurbishing waiting room areas. We are also aiming to expand our dentistry offering in order to become a one-stop-shop for all of our customers’ dental requirements. For example, in connection with the rebranding we have partnered with Colgate in a joint promotion effort to sell Colgate dental products in our “mydentist”-branded practices.

Grow our practice services division by targeting the demand for consumables, materials and services from independent dental practices and adjacent healthcare markets such as GPs and veterinarians

The 13,815 dental practices in the United Kingdom spend an estimated £400-500 million per annum on dental materials, equipment and services. These dental practices are served by a broad cross-section of small-to-mid-size vendors, none of which provides a fully vertically integrated, one-stop shop covering all materials, equipment and services. We believe our practice services division is well-positioned to take advantage of the opportunity that this presents as the businesses that we have acquired, The Dental Directory, dbg, Med-FX, PDS Dental Laboratories Leeds, Dolby Medical, offer a platform capable of serving a significant proportion of dentists’ direct and indirect materials, equipment and services needs. Recently, for example, our practice services division won re-tenders for the supply of medical consumables and materials to NHS Scotland and NHS Supply Chain, the logistics and supply organisation for NHS England. Our acquisition of PDS Dental Laboratories Leeds will allow us to insource more of the laboratory work of our patient services division’s dental practices. We also believe that the market for supplying consumables, materials and services to adjacent healthcare segments such as GPs and veterinarians is significantly larger, and presents a growth opportunity for our practice services division. To that end, we intend to continue to consider opportunistic acquisitions to expand the offering of our practice services division.

Drive organic growth through private dentistry services

The private general dentistry market had £3.35 billion (or approximately 35%) of all spending on dentistry for the twelve months ended 31 March 2016, according to Mintel. Revenue from private dentistry represents only 15.3% of our total revenue and we had 2.6% of the private general dentistry market share in terms of revenue for the twelve months ended 31 March 2016. As a result, we believe the private dentistry market represents an opportunity for us to expand our patient services division and offset recent industry-wide headwinds in the provision of NHS dentistry services. To realise this opportunity, we have developed a strategy designed to drive growth in private dentistry, which includes rebranding from IDH to “mydentist,” and continuing to attract and retain specialists, such as domiciliary, sedation, oral surgery and orthodontics specialists. In addition, we plan to increase our focus on cross-selling and up-selling private treatments, and have undertaken training with our dentists to that end. We also intend to boost our private dentistry business through the introduction of new specialty products and services,

such as facial aesthetics, which provides us with a cross-selling opportunity for our Med-FX line of products. We believe this strategy has already improved our performance in the private dentistry market, with our like-for-like private dentistry revenue for the twelve months ended 31 March 2016 increasing by 11.6% over that in the twelve months ended 31 March 2015.

Opportunistically expand into secondary care and other adjacent dentistry markets

Whilst the core focus of our patient services division has been on the UK primary care dental market, we also intend to grow and continue to explore the significant opportunities in the secondary care market and other adjacent segments. The secondary care market (also known as “acute care”) for dentistry services consists of hospital-based inpatient and outpatient care and specialised consultative care accessed through a referral from a primary care dentist, including oral pathology and maxilla facial surgery services. The secondary care market constituted approximately £0.8 billion (or approximately 13%) of spending on dentistry in the United Kingdom for the twelve months ended 31 December 2014. The Department of Health is seeking to outsource a number of secondary care dentistry services, including sedation and minor oral surgery. We have had success in winning tenders for these services in a number of practices in which we have suitably located and qualified clinicians, and we intend to continue to pursue these tenders as opportunities arise. We are also exploring opportunities for other types of dentistry services in adjacent segments of the dentistry services industry, such as in prisons (where we have one contract in place), nursing homes and for the Ministry of Defence.

The Refinancing

On the Issue Date, we will issue the Notes offered hereby and use the proceeds of the Offering, together with cash on hand and the proceeds from the Private Placement, to: (i) fund the Existing Notes Redemption; (ii) repay all amounts outstanding under the Existing Revolving Credit Facility Agreement; and (iii) pay the fees and expenses incurred in connection with the Refinancing, including fees and expenses incurred in connection with the Offering. See “Use of proceeds.”

The Offering, the Private Placement, the application of the proceeds from the Offering, together with cash on hand and the proceeds from the Private Placement, and the entry by BidCo and certain of its subsidiaries into the New Revolving Credit Facility and the Intercreditor Agreement are collectively referred to in this offering memorandum as the “Refinancing.” The New Revolving Credit Facility is not expected to be drawn on the Issue Date.

Existing Notes Redemption

Concurrently with, and conditioned on, the closing of the Offering and the Private Placement, the Issuer will satisfy and discharge all obligations outstanding under the indentures governing the Existing Notes by paying the redemption price for each of the Existing Notes plus accrued and unpaid interest thereon to the date of redemption (the “Existing Notes Redemption”).

Private Placement of Second Lien Notes

We entered into the Second Lien Commitment Letter with entities associated with Goldman Sachs Merchant Banking Division on 20 July 2016, pursuant to which such entities agreed to purchase £130.0 million in aggregate principal amount of our second lien notes due 2023 (the “Second Lien Notes”) subject to the terms and conditions contained therein.

On or about the Issue Date, we expect the Issuer to issue the Second Lien Notes in connection with the Second Lien Commitment Letter in a private transaction pursuant to an exemption from registration under the US Securities Act (the “Private Placement”). The Second Lien Notes will be the Issuer’s senior subordinated obligations and will be guaranteed on a senior subordinated basis by the Guarantors. The Second Lien Notes and the guarantees thereof will be secured on the Issue Date by second-priority security interests in the Collateral. The rights of

holders of the Second Lien Notes to enforce the Collateral will be limited so long as the New Revolving Credit Facility and the Notes and any other senior secured debt are outstanding. In the event of enforcement of the security over the Collateral, the holders of the Second Lien Notes will receive proceeds from the Collateral only after obligations under the New Revolving Credit Facility, the Notes, certain hedging obligations and any other senior secured debt have been repaid in full. The consummation of the Offering and the Existing Notes Redemption are conditional upon successful completion of the Private Placement. See "Description of other indebtedness—Second Lien Notes."

Current trading

Based on our management accounts, we believe that our group revenues for the three months ended 30 June 2016 have increased by approximately 6% compared to the three months ended 30 June 2015. UDA delivery rates in our patient services division have continued to decline as we implement the initiatives to recover UDA performance, but this decline was offset by growth in like-for-like private revenue for the three months ended 30 June 2016, which increased approximately 10% compared to the three months ended 30 June 2015. As a result, revenues in our patient services division's practices acquired before 31 March 2015 have increased by approximately 0.8% for the three months ended 30 June 2016 compared to the three months ended 30 June 2015. We are continuing to implement various measures to reverse our decline in UDA performance, including providing training to improve UDA productivity through improved diary and claims management, working with dentists, including incentivisation, to increase their working hours, and looking to recruit more locums and dentists to increase delivery capacity.

Revenues before intercompany eliminations in our practice services division have increased by approximately 14% for the three months ended 30 June 2016 compared to the three months ended 30 June 2015.

We also believe that our EBITDA before exceptional items for the three months ended 30 June 2016 will be in line with our expectations, representing an increase of approximately 2% compared to the three months ended 30 June 2015.

As at 30 June 2016, we owned 674 practices compared to 651 as at 30 June 2015.

As of the date of this offering memorandum, the quarterly financial statements for the three months ended 30 June 2016 are not yet complete. The results described above are preliminary in nature and represent the most current information available to management as of the date of this offering memorandum. Therefore, our actual results may differ materially from the preliminary results presented above due to the completion of our financial closing procedures, final adjustments and other developments which may arise between now and the time our financial report for the three months ended 30 June 2016 is finalised.

In addition, the preliminary results presented above for the three months ended 30 June 2016 may not be indicative of the results for any other period. Accordingly, you should not place undue reliance on these preliminary results.

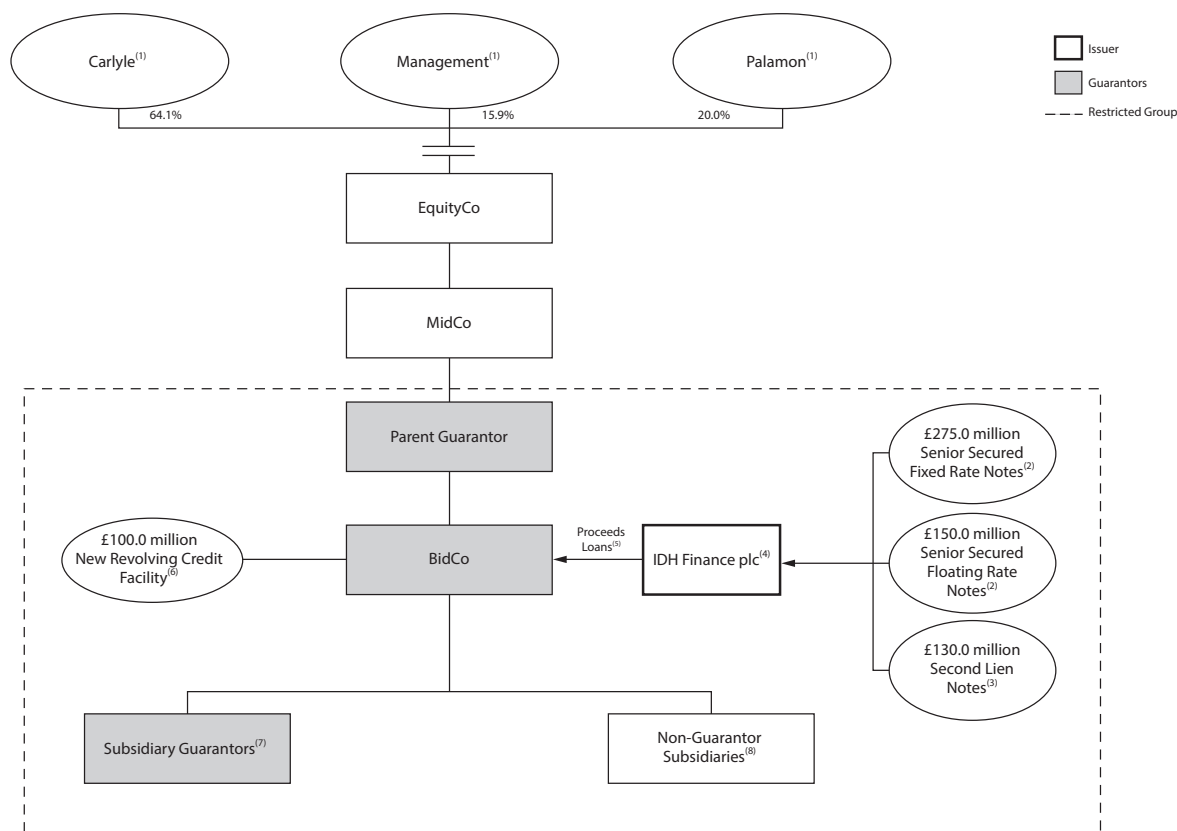
The estimated preliminary results for the three months ended 30 June 2016 included above have been prepared by and are the responsibility of management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to this preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

The Issuer

The Issuer is IDH Finance plc, which was incorporated as a public limited company under the laws of England and Wales on 7 May 2013, with registered number 08516986. The Issuer's registered office is located at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom.

Our corporate and financing structure

The following diagram presents our simplified corporate and financing structure as adjusted for the offering of the Notes and the application of the net proceeds therefrom as described under “Use of proceeds.” Percentages shown in the diagram below refer to percentage ownership. All entities shown below are 100% owned (ignoring *de minimis* shareholdings) unless otherwise indicated. For more information, see “Description of other indebtedness” and “Description of the Notes.”



- (1) Carlyle, Palamon and certain current and former members of management beneficially own 100% of the issued share capital of the Issuer and the Parent Guarantor indirectly through their interests in EquityCo. See “Principal shareholders.”
- (2) We are offering £275.0 million in aggregate principal amount of Senior Secured Fixed Rate Notes and £150.0 million in aggregate principal amount of Senior Secured Floating Rate Notes. As at the Issue Date, the obligations of the Issuer and the Guarantors under the Indenture and the New Revolving Credit Facility will be secured by first-priority security interests over 100% of the share capital of the Issuer and each Subsidiary Guarantor; and substantially all the other tangible and intangible assets of the Issuer and the Guarantors (including receivables under the Proceeds Loans), as described under “—The Offering—Security” and “Description of the Notes—Security.” Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility, certain hedging obligations and any indebtedness permitted to be incurred and secured on a super priority basis will receive priority in relation to any proceeds received upon any enforcement action over any Collateral. Any remaining proceeds received upon any enforcement action over any Collateral will be applied pro rata to the repayment of all obligations under the Indenture and any other senior secured indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.
- (3) On or about the Issue Date, we expect the Issuer to issue £130.0 million in aggregate principal amount of Second Lien Notes which will be issued in the Private Placement. The Second Lien Notes will be the Issuer’s senior subordinated obligations and will be guaranteed on a senior subordinated basis by the Guarantors. The Second Lien Notes and the guarantees thereof will be secured on the Issue Date by second-priority security interests in the Collateral. See “Description of other indebtedness—Second Lien Notes.”
- (4) The Issuer is a public limited company which, as at the Issue Date and after giving effect to the Refinancing, will have no operations or assets (other than receivables under the Proceeds Loans) of its own. The Issuer’s ability to service its debt, including the Notes, will depend entirely on the ability of BidCo, the obligor under the Proceeds Loans, to make payments on the Proceeds Loans. BidCo will not be obliged to make any other payments or capital contribution to the Issuer other than those required under the Proceeds Loans. See “Risk factors—Risks related to our indebtedness and the Notes.”
- (5) On the Issue Date, the Issuer will on-lend the proceeds of the Offering to BidCo by means of one or more intercompany loans in an amount equal to the aggregate principal amounts of the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes (in each case net of a portion of the fees and expenses of the Offering) offered hereby (the

"Proceeds Loans"). Receivables under the Proceeds Loans will be pledged to secure obligations under the New Revolving Credit Facility and the Notes. See "Description of the Notes—The Senior Secured Proceeds Loans."

- (6) In connection with the Offering, we will enter into the New Revolving Credit Facility which will provide for drawings of up to £100.0 million, all of which will be available but undrawn at the Issue Date. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility will, along with certain hedging obligations, receive priority in relation to any proceeds received upon any enforcement action over any Collateral. See "Description of other indebtedness—Intercreditor Agreement."
- (7) For the twelve months ended 31 March 2016, the Guarantors represented 93.4% of our consolidated revenue and 84.5% of our consolidated EBITDA before exceptional items, and as at 31 March 2016, the Guarantors represented 86.1% of our gross assets (calculated on an unconsolidated basis excluding goodwill and intra-group items), in each case excluding Guarantors acquired after 31 March 2016. The Guarantees are subject to contractual and legal limitations that may be released under certain circumstances. See "Description of the Notes—Senior Secured Notes Guarantees" and "Description of the Notes—Limitations under Guarantees and Liens on the Collateral."
- (8) The non-Guarantor subsidiaries are immaterial subsidiaries that are 100% owned or majority owned by the Parent Guarantor.

The offering

The following summary of the Offering contains basic information about the Notes, the Guarantees and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer IDH Finance plc.

Notes offered

Senior Secured Fixed Rate Notes £275,000,000 in aggregate principal amount of 6¼% Senior Secured Fixed Rate Notes due 2022.

Senior Secured Floating Rate Notes £150,000,000 in aggregate principal amount of Senior Secured Floating Rate Notes due 2022.

Issue Date 5 August 2016.

Interest Rate

Senior Secured Fixed Rate Notes 6¼% per annum.

Senior Secured Floating Rate Notes Three-month GBP LIBOR (subject to a 0.00% floor), plus 6% per annum, reset quarterly.

Issue price for the Notes

Senior Secured Fixed Rate Notes 100.0% (plus accrued and unpaid interest from the Issue Date).

Senior Secured Floating Rate Notes 99.5% (plus accrued and unpaid interest from the Issue Date).

Maturity date

Senior Secured Fixed Rate Notes 15 August 2022.

Senior Secured Floating Rate Notes 15 August 2022.

Interest payment dates

Senior Secured Fixed Rate Notes Semi-annually in arrears on each of 15 February and 15 August, commencing 15 February 2017. Interest will accrue from the Issue Date of the Senior Secured Fixed Rate Notes.

Senior Secured Floating Rate Notes Quarterly in arrears on 15 February, 15 May, 15 August and 15 November of each year, beginning on 15 November 2016. Interest will accrue from the Issue Date of the Senior Secured Floating Rate Notes.

Denominations Each Note will have a minimum denomination of £100,000 and integral multiples of £1,000 in excess thereof.

Ranking of the Notes . . . The Notes will be the general obligations of the Issuer and:

- will rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness incurred under the New Revolving Credit Facility;
- will rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, including the Second Lien Notes;
- will be secured by first-priority liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super-priority basis, including obligations outstanding under the New Revolving Credit Facility and certain hedging obligations, have been repaid in full, as described under “—Security” below;
- will be unconditionally guaranteed on a senior basis by the Guarantors;
- will be effectively subordinated to all existing and future indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and
- will be structurally subordinated to all existing and future obligations of the subsidiaries of the Parent Guarantor that do not guarantee the Notes.

Guarantees The Issuer’s obligations under the Notes and the Indenture will be guaranteed on a senior basis by the Parent Guarantor and the Subsidiary Guarantors (collectively, the “Guarantors”). For the twelve months ended 31 March 2016, the Guarantors represented 93.4% of our consolidated revenue and 84.5% of our consolidated EBITDA before exceptional items, and as at 31 March 2016, the Guarantors represented 86.1% of our gross assets (calculated on an unconsolidated basis excluding goodwill and intra-group items), in each case excluding Guarantors acquired after 31 March 2016.

The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in “Description of the Notes—Limitations under Guarantees and Liens on the Collateral” and “Risk factors—Risks related to our indebtedness and the Notes—English and Scottish insolvency laws may not be as favourable to you as US and other insolvency laws, and insolvency laws and limitations on the Guarantees or the security interests in respect of the Notes may adversely affect the validity and enforceability of the Guarantees and the security interests and may limit the amount that can be recovered under the Guarantees and the security interests granted by the Parent Guarantor and its subsidiaries.” Under certain circumstances, we may be required by the covenants in the Indenture to add guarantees in favour of the Notes if our subsidiaries that do not guarantee the Notes guarantee certain other types of indebtedness. See “Description of the Notes—Certain covenants—Additional guarantees.” In addition, the Guarantees will be subject to release under certain circumstances. See “Description of the Notes—Senior Secured Notes Guarantees.”

Ranking of the

Guarantees The Guarantee of each Guarantor will be a general senior obligation of such Guarantor and:

- will rank *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Guarantee, including its obligations under the New Revolving Credit Facility;
- will rank senior in right of payment to all existing and future indebtedness of such Guarantor that is expressly subordinated in right of payment to the Guarantees, including guarantees of the Second Lien Notes;
- will be secured by first-priority liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super-priority basis, including obligations outstanding under the New Revolving Credit Facility and certain hedging obligations, have been repaid in full, as described under “—Security” below; and
- will be effectively subordinated to any existing and future indebtedness of such Guarantor that is secured by property and assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such indebtedness.

Security The Notes will be secured by a first-ranking lien over all the shares in the Issuer and the Subsidiary Guarantors, and a first-ranking lien over substantially all the property and assets of the Issuer and the Guarantors (including receivables under the Proceeds Loans). See “Description of the Notes—Security.”

Intercreditor Agreement and Security

Documents Pursuant to the Intercreditor Agreement, the liens securing the Notes will be deemed to rank equally with the liens that secure (i) obligations under the New Revolving Credit Facility, (ii) certain obligations under hedging arrangements and (iii) certain other future senior indebtedness permitted to be incurred under the Indenture. Such liens are, or will be, evidenced by the Security Documents for the benefit of (whether directly or through the Security Agent) the holders of the Notes and the lenders under the New Revolving Credit Facility. Under the terms of the Intercreditor Agreement, in the event of acceleration of the New Revolving Credit Facility or the Notes, amounts recovered, including proceeds from the enforcement of the security over the Collateral, will be required to repay indebtedness in respect of the New Revolving Credit Facility and certain hedging obligations in priority to the Notes, following the payment of fees and expenses of the agent under the New Revolving Credit Facility, the Trustee, the Security Agent, the trustee in respect of the Second Lien Notes and other agents and trustees in respect of future indebtedness permitted to be incurred under the Indenture.

The Security Agent may refrain from enforcing the security unless instructed by an instructing group consisting of (i) holders of 66⅔% of the total credit participations in the New Revolving Credit

Facility and closed out super-senior hedging liabilities at such time or (ii) 50% of the total holders of the Notes, closed out senior hedging liabilities and other permitted future senior secured indebtedness at such time, in accordance with the provisions of the Intercreditor Agreement. In the event of conflicting instructions, the Intercreditor Agreement requires consultation amongst creditors and contains provisions as to which set of instructions will prevail. See “Description of other indebtedness—Intercreditor Agreement.”

Optional redemption

Senior Secured Fixed

Rate Notes

The Issuer may redeem all or part of the Senior Secured Fixed Rate Notes on or after 15 August 2018 at the redemption prices set forth under “Description of the Notes—Optional redemption.”

In addition, prior to 15 August 2018, the Issuer may redeem all or part of the Senior Secured Fixed Rate Notes by paying a “make whole” premium, as described under “Description of the Notes—Optional redemption.”

Prior to 15 August 2018, the Issuer may on one or more occasions use the proceeds of specified equity offerings to redeem up to 40% of the principal amount of the Senior Secured Fixed Rate Notes at a redemption price equal to 106.25% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 60% of the principal amount of the Notes remains outstanding after the redemption.

Senior Secured Floating

Rate Notes

The Issuer may redeem all or part of the Senior Secured Floating Rate Notes on or after 15 August 2017 at the redemption prices set forth under “Description of the Notes—Optional redemption.”

In addition, prior to 15 August 2017, the Issuer may redeem all or part of the Senior Secured Floating Rate Notes by paying a “make whole” premium, as described under “Description of the Notes—Optional redemption.”

Additional amounts

All payments made by or on behalf of the Issuer under or with respect to the Notes or any Guarantor with respect to any Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer or the relevant Guarantor, as applicable, will pay additional amounts so that the net amount received by the holder of the Notes is no less than the amount that would have been received in the absence of such withholding or deduction. See “Description of the Notes—Additional Amounts.”

Tax redemption

The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, in the event certain developments affecting taxation become effective after the Issue Date. If the Issuer decides to exercise such redemption right, it must pay holders of the Notes a price equal to the principal amount of the Notes plus accrued but unpaid interest and additional amounts, if any, to the date of redemption. See “Description of the Notes—Redemption for changes in taxes.”

Change of control Upon the occurrence of certain defined events constituting a change of control, each holder of the Senior Secured Fixed Rate Notes or the Senior Secured Floating Rate Notes, as applicable, may require the Issuer to repurchase all or a portion of its Senior Secured Fixed Rate Notes or its Senior Secured Floating Rate Notes, as applicable, at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if certain consolidated net leverage ratios are not exceeded in connection with such event. See “Description of the Notes—Repurchase at the option of Holders—Change of control.”

Certain covenants The Issuer will issue the Notes under the Indenture. The Indenture will limit, amongst other things, the ability of the Parent Guarantor and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates;
- impair the security interests for the benefit of the holders of the Notes;
- guarantee certain other indebtedness without guaranteeing the Notes; and
- impose restrictions on the activities of the Issuer and the Parent Guarantor.

Each of these covenants is subject to a number of significant exceptions and qualifications. See “Description of the Notes—Certain covenants” and the related definitions.

Use of proceeds We intend to use the proceeds of the Offering, together with cash on hand and the proceeds from the Private Placement, to: (i) fund the Existing Notes Redemption; (ii) repay all amounts outstanding under the Existing Revolving Credit Facility Agreement; and (iii) pay the fees and expenses incurred in connection with the Refinancing, including fees and expenses incurred in connection with the Offering. See “Use of proceeds.”

Transfer restrictions The Notes and the Guarantees have not been, and will not be, registered under the US Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the US Securities Act. See “Transfer restrictions” and “Plan of distribution.”

Absence of a public market for the Notes . . .	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obliged to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to The Channel Islands Securities Exchange Authority Limited (the "Exchange") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
Trustee	U.S. Bank Trustees Limited.
Registrar	Elavon Financial Services DAC.
Paying Agent, Transfer Agent and Calculation Agent.	Elavon Financial Services DAC, UK Branch.
Security Agent	U.S. Bank Trustees Limited.
Listing Sponsor	Carey Olsen Corporate Finance Limited.
Governing law of the Indenture and the Notes.	New York.
Governing law of the Intercreditor Agreement	England and Wales.

Risk factors

Investing in the Notes involves substantial risks and prospective investors should refer to "Risk factors" beginning on page 35 of this offering memorandum for a discussion of certain factors that they should carefully consider before deciding to invest in the Notes.

Summary historical consolidated and pro forma combined consolidated financial information and other data

The following tables present our summary financial information and should be read in conjunction with our audited financial statements, which are reproduced elsewhere in this offering memorandum. See "Presentation of financial information and other data" and "Management's discussion and analysis of financial condition and results of operations." Our audited consolidated financial statements as of and for the twelve months ended 31 March 2016 were prepared in accordance with IFRS and include comparative information for the twelve months ended 31 March 2015. Our audited consolidated financial statements as of and for the years ended 31 March 2014 and 2015 were prepared in accordance with UK GAAP. Our audited consolidated financial statements were audited by PricewaterhouseCoopers LLP. The information below is not necessarily indicative of the results of future operations.

Certain other data included herein is for information purposes only, and does not purport to present what our results of operations and financial condition would have been, nor does it project our results of operations for any future period or financial condition at any future date. Whilst certain of the adjusted financial data has been derived on the basis of historical financial information prepared in accordance with UK GAAP and IFRS, such financial data contains financial measures other than those in accordance with UK GAAP and IFRS and should not be considered in isolation from or as substitutes for our historical financial information. Non-UK GAAP or non-IFRS financial data should not be considered to be alternative to cash flow from operating activities, as measures of liquidity or as alternatives to operating profit or operating performance or any other measure of performance derived in accordance with UK GAAP and IFRS for the applicable periods.

This information is only a summary and should be read in conjunction with our financial statements and related notes, including note 37 to the 2016 Audited IFRS Financial Statements, and "Presentation of financial information and other data," "Use of proceeds," "Capitalisation," "Selected historical consolidated financial information" and "Management's discussion and analysis of financial condition and results of operations" included elsewhere in this offering memorandum.

Consolidated statement of income in accordance with IFRS

(£ in millions)	Twelve months ended 31 March	
	2015(*) (unaudited)	2016
Revenue	534.2	565.9
Cost of sales	(294.9)	(307.5)
Gross profit	239.4	258.4
Distribution costs	(13.0)	(15.2)
Administrative expenses	(203.7)	(233.9)
Other income	1.8	1.9
Other gains	–	0.4
Operating profit	24.4	11.6
Finance costs	(40.0)	(38.7)
Finance income	0.1	1.1
Net finance costs	(39.9)	(37.5)
Loss before income tax	(15.5)	(25.9)
Income tax credit	2.9	7.8
Loss for the year	(12.6)	(18.1)
Attributable to:		
Owners of the parent	(12.6)	(18.0)
Non-controlling interests	(0.1)	(0.1)
	(12.6)	(18.1)

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Consolidated profit and loss account in accordance with UK GAAP

(£ in millions)	Twelve months ended 31 March	
	2014(**)	2015(**)
Turnover	407.5	534.2
Cost of sales	(210.8)	(294.9)
Gross profit	196.7	239.4
Other operating income	1.7	1.8
Administrative expenses	(179.8)	(223.9)
Operating profit	18.6	17.3
(Loss)/profit on disposal of assets	(0.4)	1.4
Profit on ordinary activities before interest and taxation	18.1	18.6
Interest receivable and similar income	0.1	0.1
Interest payable and similar charges	(54.3)	(38.6)
Loss on ordinary activities before taxation	(36.1)	(19.9)
Tax on loss on ordinary activities	2.0	(0.6)
Loss on ordinary activities after taxation	(34.1)	(20.5)
Equity minority interests	(0.1)	0.1
Loss for the financial period	(34.1)	(20.4)

(**) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

Consolidated balance sheet in accordance with IFRS

(£ in millions)	As at 31 March	
	2015(*) (unaudited)	2016
Non-current assets		
Goodwill	322.5	339.0
Other intangible assets	453.2	453.4
Property, plant and equipment	89.5	99.4
Other receivables	2.5	1.0
Deferred income tax assets	10.5	9.7
	878.1	902.4
Current assets		
Inventories	22.2	20.6
Trade and other receivables	42.0	49.5
Corporation tax	0.6	–
Derivative financial instruments	–	0.7
Cash and cash equivalents	29.1	14.9
	93.9	85.7
Assets classified as held for sale	2.0	0.4
Total assets	974.0	988.6
Equity attributable to the owners of the parent		
Share capital	411.0	411.0
Retained earnings	(116.9)	(134.9)
	294.0	276.1
Non-controlling interest	(0.1)	0.1
Total equity	293.9	276.1
Non-current liabilities		
Borrowings	520.8	531.9
Other payables	6.5	3.2
Deferred income tax liabilities	54.8	51.1
Defined benefit pension obligation	0.4	–
Provisions	7.4	7.6
Derivative financial instruments	3.1	2.0
	593.0	595.7
Current liabilities		
Trade and other payables	85.1	114.4
Corporation tax	–	0.4
Provisions	1.9	1.8
Derivative financial instruments	–	0.1
	87.0	116.7
Total liabilities	680.1	712.5
Total equity and liabilities	974.0	988.6

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Consolidated balance sheet in accordance with UK GAAP

(£ in millions)	As at 31 March	
	2014(**)	2015(**)
Intangible assets	614.8	675.0
Tangible assets	83.3	91.4
Fixed assets	698.1	766.4
Stocks	7.6	22.2
Debtors	44.9	53.7
Cash at bank and in hand	6.9	29.1
Current assets	59.4	105.1
Total assets	757.5	871.5
Share capital	411.0	411.0
Profit and loss reserve	(143.3)	(164.1)
Total shareholders' funds	267.7	246.9
Minority interest	–	(0.1)
Creditors: amounts falling due within one year	65.2	86.8
Creditors: amounts falling due after more than one year	414.4	528.3
Provisions for liabilities and charges	10.2	9.3
Defined benefit pension scheme liability	–	0.3
Non-current liabilities	424.6	537.9
Total equity and liabilities	757.5	871.5

(**) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

Consolidated statement of cash flows in accordance with IFRS

(£ in millions)	Twelve months ended 31 March	
	2015(*) (unaudited)	2016
Cash generated from operations	77.4	80.0
Income tax received/(paid)	(0.6)	0.6
Net cash inflow from operating activities	76.8	80.5
Acquisitions (net of cash acquired)	(113.3)	(42.9)
Contingent consideration paid	(0.7)	(0.9)
Purchase of property, plant and equipment	(25.9)	(26.9)
Purchase of freehold property held for sale	(0.2)	–
Proceeds from business and asset disposals	11.0	2.7
Interest received	0.1	0.1
Net cash outflow from investing activities	(129.1)	(67.9)
Drawdown of bank loans	105.0	8.5
Repayment of bank loans	(96.5)	–
Proceeds from issue of senior secured floating rate notes	101.3	–
Arrangement fees and associated professional costs	(1.7)	–
Bank and bond interest paid	(33.6)	(35.3)
Net cash inflow/(outflow) from financing activities	74.4	(26.8)
Net increase/(decrease) in cash and cash equivalents	22.2	(14.2)
Cash and cash equivalents at the start of the year	6.9	29.1
Cash and cash equivalents at the end of the year	29.1	14.9

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Consolidated cash flow statement in accordance with UK GAAP

(£ in millions)	Twelve months ended 31 March	
	2014(**)	2015(**)
Net cash inflow from operations	54.8	81.3
Returns on investments and servicing of finance	(41.4)	(35.2)
Net cash inflow after returns on investment and servicing of finance	13.3	46.1
Taxation	0.2	(0.6)
Capital expenditure	(23.5)	(15.1)
Acquisitions and disposals	(93.6)	(118.0)
Net cash outflow before financing	(103.5)	(87.6)
Financing	68.0	109.8
(Decrease)/increase in cash in the financial year	(35.5)	22.2

(**) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

Other financial data

(£ in millions, except as specified)	Twelve months ended 31 March	Twelve months ended 31 March	
	2014(*)	2015(**) (unaudited)	2016
Other profit and cash flow data			
EBITDA before exceptional items ⁽¹⁾	67.8	76.8	80.2
Estimated pro forma adjusted EBITDA ⁽²⁾	84.8	85.1	87.2
EBITDA margin ⁽³⁾	16.6%	14.4%	14.2%
Gross profit margin ⁽⁴⁾	48.3%	44.8%	45.7%
Maintenance capital expenditure ⁽⁵⁾	17.9	20.6	22.2
Cash conversion ⁽⁶⁾	73.6%	73.2%	72.3%
Other debt and credit data			
As adjusted net senior secured debt ⁽⁷⁾			418.6
As adjusted net total debt ⁽⁸⁾			548.6
Ratio of net senior secured debt to estimated pro forma adjusted EBITDA			4.80x
Ratio of net total debt to estimated pro forma adjusted EBITDA			6.29x
Ratio of estimated pro forma adjusted EBITDA to pro forma interest expense ⁽⁹⁾			2.18x
Ratio of estimated pro forma adjusted EBITDA less maintenance capital expenditure to pro forma interest expense ⁽¹⁰⁾			1.63x

(*) The financial information as of and for the twelve months ended 31 March 2014 has been derived from the 2014 Audited GAAP Financial Statements, which were prepared in accordance with UK GAAP.

(**) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Key performance indicators

	Twelve months ended 31 March		Twelve months ended 31 March
	2014(*) (unaudited)	2015(**)	2016
NHS dentistry services revenue as a percentage of total revenue	84.9%	69.8%	68.3%
Private dentistry services revenue as a percentage of total revenue	13.4%	13.0%	15.3%
Practice services revenue as a percentage of total revenue	1.7%	17.2%	16.4%
Total annual UDA delivery percentage ⁽¹¹⁾	96.7%	95.8%	92.4%
Like-for-like private revenue growth ⁽¹²⁾	8.6%	12.2%	11.6%
Overheads as a percentage of revenue ⁽¹³⁾	32.0%	30.8%	31.8%
Total number of dental practices ⁽¹⁴⁾	585	644	672

(*) The financial information as of and for the twelve months ended 31 March 2014 has been derived from the 2014 Audited GAAP Financial Statements, which were prepared in accordance with UK GAAP.

(**) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

(£ in millions)	Twelve months ended 31 March		
	2014	2015	2016
£ per UDA contract uplift ⁽¹⁵⁾	1.50%	1.60%	1.34%

(1) EBITDA before exceptional items represents operating profit before depreciation, amortisation of intangible assets, amortisation of grant income, foreign exchange gains and exceptional items. Accordingly, EBITDA before exceptional items can be extracted from our consolidated financial statements by taking operating profit and adding back depreciation, amortisation of goodwill, amortisation of grant income and exceptional items.

The following table reconciles EBITDA before exceptional items to operating profit:

	Twelve months ended 31 March		Twelve months ended 31 March
	2014(*) (unaudited)	2015(**)	2016
Operating profit	18.6	24.4	11.6
Depreciation	13.6	16.9	18.8
Amortisation of intangible assets	34.0	29.3	31.6
Amortisation of government grant income	(0.5)	(0.3)	(0.1)
Foreign exchange gains	-	-	(0.4)
Exceptional items(***)	2.1	6.5	18.7
EBITDA before exceptional items	67.8	76.8	80.2

(*) The financial information as of and for the twelve months ended 31 March 2014 has been derived from the 2014 Audited GAAP Financial Statements, which were prepared in accordance with UK GAAP.

(**) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

(***) Exceptional items for the twelve months ended 31 March 2016 included (i) £10.6 million in respect of the cost of rolling out the "mydentist" brand to a further 316 dental practices, resulting in a total of 418 completed as at 31 March 2016, with costs incurred in respect of signage, decoration and uniforms, (ii) £1.9 million in respect of professional fees and expenses incurred in relation to acquisitions, together with a credit of £2.2 million arising from differences between contingent consideration paid and the estimates initially recognized in our balance sheet, (iii) £2.6 million in respect of business and asset disposals including the closure of the dbg head office in Winsford in order to merge the administrative functions with those of The Dental Directory in Witham to create a single support function for the practice services division, as well as costs associated with the closure of two dental practices and the merger of five practices, partially offset by profits generated from the sale and leaseback of twelve freehold dental practices and (iv) £5.7 million in respect of costs associated with the restructuring of our practice services division operations, redundancy payments to staff across both divisions, a review of strategic options and associated legal and professional fees.

Exceptional items for the twelve months ended 31 March 2015 included (i) £1.3 million in respect of the cost of rolling out the "mydentist" brand to 102 dental practices, including expenditure on signage, decoration and uniforms, (ii) £2.9 million in respect of costs associated with the restructuring of our practice services division, redundancy payments to staff, costs associated with the ongoing review of strategic options and associated legal and

professional fees, (iii) £3.9 million in respect of professional fees and expenses incurred in relation to acquisitions, together with a credit of £0.2 million arising from differences between contingent consideration paid and the estimates initially recognised in our balance sheet, (iv) a credit of £0.9 million arising from the timing of holidays at the beginning and end of the twelve months ended 31 March 2016 and (v) a credit of £0.5 million in respect of business and asset disposals reflecting the profits generated from the sale and leaseback of 43 freehold dental practices partially offset by the costs associated with the merger of eight dental practices.

Exceptional items for the twelve months ended 31 March 2014 included costs associated with changes in senior management, including advisory fees.

We are not presenting EBITDA before exceptional items and other EBITDA-based measures as measures of our results of operations. EBITDA before exceptional items and other EBITDA-based measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations. EBITDA before exceptional items, estimated pro forma adjusted EBITDA and related leverage and coverage ratios are not measurements of financial performance under UK GAAP and IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with UK GAAP and IFRS. Our management believes that the presentation of EBITDA before exceptional items and EBITDA-based measures is helpful to investors as measures of our operating performance and ability to service our debt. Our EBITDA before exceptional items and our other EBITDA-based measures may not be comparable to similarly titled measures used by other companies.

- (2) Estimated pro forma adjusted EBITDA for the twelve months ended 31 March 2016 represents EBITDA before exceptional items for the twelve months ended 31 March 2016 as adjusted for: (i) the acquisition and integration of 34 dental practices (the "Acquired Dental Practices") by us at different dates during the period between 1 April 2015 and 31 March 2016; (ii) the acquisition and integration of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical, which we acquired on 31 August 2015, 18 March 2016 and 31 March 2016, respectively; (iii) estimated cost savings initiatives; (iv) estimated VAT grouping savings; and (v) the acquisition and integration of two dental practices between 1 April 2016 and 18 July 2016.

The following table reconciles estimated pro forma adjusted EBITDA to EBITDA before exceptional items:

(£ in millions)	Twelve months ended 31 March 2016
EBITDA before exceptional items	80.2
Estimated adjusted EBITDA of the Acquired Dental Practices ^(A)	3.4
Adjusted EBITDA of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical ^(B)	1.0
Reversal of one-off VAT grouping adjustment ^(C)	0.2
Pro forma EBITDA	84.8
Cost savings initiatives ^(D)	1.7
VAT grouping savings ^(E)	0.4
Acquisitions completed between 1 April 2016 and 18 July 2016 ^(F)	0.3
Estimated pro forma adjusted EBITDA	87.2

- (A) Estimated adjusted EBITDA of the Acquired Dental Practices represents the aggregate estimated adjusted EBITDA for each of the Acquired Dental Practices for the period from 1 April 2015 to 31 March 2016 and excluding the in-year contribution of the Acquired Dental Practices to EBITDA before exceptional items.

The estimated adjusted EBITDA information of the Acquired Dental Practices presented herein is for informational purposes only. This information does not represent the results the Acquired Dental Practices would have achieved had each of the acquisitions occurred and each Acquired Dental Practice been fully integrated at 1 April 2015. The calculations of estimated adjusted EBITDA of the Acquired Dental Practices are based in part on management estimates, due diligence reviews and the unaudited internal management accounts of the Acquired Dental Practices. These numbers have not been, and cannot be, audited. This estimated adjusted EBITDA information of the Acquired Dental Practices is included in this offering memorandum as we believe that it provides a useful measure of our results of operations at present; however, this information does not constitute a measure of financial performance under UK GAAP and IFRS and should not be considered as a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with UK GAAP and IFRS or as a measure of our results of operations or liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently from us. As all companies do not calculate these financial measures in the same manner, the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. Results indicated by certain of these measures may not be realised, and funds depicted by certain of these measures may not be available for management's discretionary use if such results are not realised. This footnote (2)(A) should be read carefully as it contains important information regarding the calculation of estimated pro forma adjusted EBITDA, as well as certain methodologies and assumptions and factors we consider when we make these estimates. See "Risk factors—Risks related to our business—Our ability to grow our business relies significantly upon our acquisition strategy and there can be no guarantee that sufficient or appropriate acquisition opportunities will be available to us, that financing will be available on acceptable terms or that, once acquired, new businesses will be successfully integrated into our operations."

When we acquire a dental practice, we consider ourselves to be buying the NHS dentistry contracts held by that dental practice as we have high visibility of NHS dentistry contract revenues and dentist costs and we are generally able to implement our management systems and cost base in dental practices we acquire. For this reason, we believe that the most accurate methodology for presenting estimated adjusted EBITDA of the Acquired Dental Practices is that described below. The estimated pro forma adjusted EBITDA of the Acquired Dental Practices for the twelve months ended 31 March 2016 (including Acquired Dental Practices acquired between 1 April 2015 and 31 March 2016) was prepared using the following methodology:

We calculated the estimated EBITDA of the Acquired Dental Practices using a similar methodology to the methodology we applied when valuing the Acquired Dental Practices in connection with our decision to purchase such Acquired Dental Practices, namely by developing a notional profit and loss account for each Acquired Dental Practice on the basis of the below:

- We determined NHS dentistry revenues generated by an Acquired Dental Practice for the twelve months ended 31 March 2016 by multiplying (i) the number of UDAs contracted under NHS dentistry contracts held by the target practice, by (ii) the applicable UDA rate contained in the applicable NHS dentistry contract and (iii) a UDA delivery percentage of 97%. UDA delivery of 97% constitutes the average normalised UDA delivery for our entire estate of dental practices in the five years ending 31 March 2015. For each percentage point of increase or decrease in UDA delivery rates assumed, the estimated adjusted EBITDA of the Acquired Dental Practices would increase or decrease, as the case may be, by £0.1 million. In the twelve months ended 31 March 2016, our UDA delivery rates have been impacted by industry-wide factors, including increased NHS scrutiny of claims (which has resulted in dentists spending more time recording notes detailing patient care and thereby resulting in longer appointment times) and performance benchmarks and a decrease in exempt patients as a result of the improving UK economy. As a result, our average UDA delivery rate for the twelve months ended 31 March 2016 has been 92.4%. While some of this decrease in productivity under NHS dentistry contracts has been offset by growth in the provision of private dentistry services and in the NHS dentistry contract price uplifts, we are also actively providing training to improve UDA productivity, through improved diary and claims management, working with dentists to increase their working hours and refocusing our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%. Each 1% increase or decrease in UDA delivery equates to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items. The effect on our contracted UDAs has also been limited—on a net basis including new contract wins, our contracted UDAs reduced by only 0.5% for the twelve months ended 31 March 2016. Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items. See “Risk factors—Risks related to our business—Industry-wide factors have resulted in a decrease in our UDA delivery rates, which negatively impacts our revenues from NHS dentistry services.”
- We determined revenues generated by private dentistry services of an Acquired Dental Practice, which typically constitute a small portion of total revenues generated by the Acquired Dental Practices, based on a schedule of historical revenues for private dentistry services prepared by the vendor of the Acquired Dental Practice. The vendor warrants in the applicable purchase agreement for such Acquired Dental Practice that this schedule is accurate, and such purchase agreement may also include clawbacks or deferred compensation related to the delivery of post-acquisition private dentistry services revenue.
- We determined the contracted and variable costs of an Acquired Dental Practice by (i) calculating dentist compensation costs, our largest cost, on the basis of the associate contracts that we require dentists to enter into when we acquire a dental practice, (ii) applying our cost base in respect of materials and laboratory work to the Acquired Dental Practice and (iii) calculating an estimate of hygienist compensation costs on the basis of a schedule of historical hygienist compensation costs prepared by the vendor of the Acquired Dental Practice, in each case on the basis of UDAs and private dentistry services expected to be delivered.
- We determined the fixed costs of an Acquired Dental Practice by (i) calculating an estimate of other staff compensation costs based on a schedule of historical other staff compensation costs, building in headroom in the case of any deemed staffing shortfalls, (ii) calculating an estimated overhead by multiplying our estate-wide average overhead per dental surgery (such average having been determined following the merger of our former holding companies in 2011) by the number of dental surgeries in such Acquired Dental Practice and (iii) adding the known rent and rate costs based on the lease terms and local rates applicable to property leased by the Acquired Dental Practice.

Upon arriving at a notional profit and loss account for an Acquired Dental Practice on the basis of the above procedures, we forecast the notional profit and loss account to derive an estimated annualised EBITDA for the Acquired Dental Practice. We then replicate the methodology above in respect of each of the Acquired Dental Practices to arrive at an estimated adjusted EBITDA for the Acquired Dental Practices. On the basis of this methodology, we derived an estimated adjusted EBITDA of the Acquired Dental Practices of £3.4 million for the twelve months ended 31 March 2016. We believe this methodology produces accurate results because (i) we know the number of contracted UDAs of a target dental practice, (ii) UDA delivery percentage and private revenue generation tend to maintain consistency post-acquisition, (iii) the largest cost, dentist costs, are contracted and (iv) we are able to apply our known cost base to the dental practices we acquire. Historically, we believe this methodology, which we use when valuing the Acquired Dental Practices in connection with our decision to purchase such Acquired Dental Practices, has proven accurate. The dental practices we acquired in the twelve months ended 31 March 2015 contributed £7.2 million of EBITDA before head office costs and exceptional items in the twelve months ended 31 March 2016 compared to our due diligence estimate of £9.1 million of EBITDA before head office costs and exceptional items. The majority of the shortfall related to three acquisitions, two of which were chains of dental practices that were in remote areas of the country and had difficulties recruiting dentists, and the third of which had a vendor depart on short notice after the acquisition. Management is currently addressing these issues by actively recruiting replacement dentists as well as seeking to implement a mentor programme in a number of sites of the two chains of dental practices, and by replacing the dentist in the third practice, and rebuilding the practice's patient list. The dental practices we acquired in the twelve months ended 31 March 2014 contributed £10.1 million of EBITDA before head office costs and exceptional items in the twelve months ended 31 March 2016 compared to our due diligence estimate of £10.5 million of EBITDA before head office costs and exceptional items.

In the twelve months ended 31 March 2016, we also disposed of two dental practices both of which loss-making. After deriving the estimated adjusted EBITDA for the Acquired Dental Practices and excluding the EBITDA before exceptional items of the Acquired Dental Practices consolidated in our financial statements for the twelve months ended 31 March 2016, we also excluded the full-year impact of the EBITDA before exceptional items of such disposed practices, which was negligible. The run-rate EBITDA before exceptional items of the dental practices acquired in the twelve months ended 31 March 2016 was £6.8 million, of which £3.2 million was reflected in the results for the twelve months ended 31 March 2016.

These amounts are estimates in part because (i) historical profit and loss account information generally was not available for any of the Acquired Dental Practices for the portions of the twelve months ended 31 March 2016 from the dates of the last annual or interim financial statements of the Acquired Dental Practices, if any, until the date on which they were purchased by us, (ii) we did not use the historical profit and loss account information for the period following the date of an Acquired Dental Practice's acquisition by us to 31 March 2016, if any, to calculate the estimates described below, and we subtracted the results of the Acquired Dental Practices in respect of such period from our calculation of estimated pro forma adjusted EBITDA in respect of the Acquired Dental Practices and (iii) in the few instances where historical profit and loss account information was available for an Acquired Dental Practice for the period from 1 April 2015 to the date of their acquisition by us, we did not consider that information an accurate reflection of the performance of such Acquired Dental Practice on a post-acquisition basis and so disregarded that information for purposes of generating the estimates described below. In addition, we excluded from these estimates certain one-off costs related to the acquisition and integration of such Acquired Dental Practices, such as dentist tie-in payments and capital expenditures related to our acquisition of the Acquired Dental Practices. These estimates are based on estimates of the EBITDA of the Acquired Dental Practices for the twelve months ended 31 March 2016, including for practices acquired between 1 April 2015 and 31 March 2016, and these estimates were originally included in standardised due diligence reports of potential acquisitions prepared in the normal course of business by us. The definition of "EBITDA" is the same as that of "EBITDA before exceptional items" in footnote 1 above.

- (B) The EBITDA of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical represents the pro forma effect on EBITDA before exceptional items of the acquisition by us of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical on 31 August 2015, 18 March 2016 and 31 March 2016, respectively, as if such acquisitions had been completed and fully integrated on 1 April 2015. The pro forma effect results from annualizing: (i) Med-FX's contribution of £0.2 million to our consolidated EBITDA before exceptional items (after giving effect to intragroup eliminations) since its acquisition on 31 August 2015, as if Med-FX had been acquired and fully integrated at 1 April 2015 and excluding Med-FX's actual contribution to EBITDA before exceptional items consolidated in our financial statements for the twelve months ended 31 March 2016; (ii) PDS Dental Laboratories Leeds' contribution of £0.4 million to our consolidated EBITDA before exceptional items (after giving effect to intragroup eliminations) since its acquisition on 18 March 2016, as if PDS Dental Laboratories Leeds had been acquired and fully integrated at 1 April 2015 and excluding PDS Dental Laboratories Leeds' actual contribution to EBITDA before exceptional items consolidated in our financial statements for the twelve months ended 31 March 2016; and (iii) Dolby Medical's contribution of £0.4 million to our consolidated EBITDA before exceptional items (after giving effect to intragroup eliminations) since its acquisition on 31 March 2016, as if Dolby Medical had been acquired and fully integrated at 1 April 2015 and excluding Dolby Medical's actual contribution to EBITDA before exceptional items consolidated in our financial statements for the twelve months ended 31 March 2016.

The EBITDA of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical presented herein is for informational purposes only. This information does not represent the results we would have achieved had the acquisitions of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical actually occurred at 1 April 2015. The calculations of EBITDA of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical are based in part on management estimates, due diligence reviews and the unaudited internal management accounts of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical. These numbers have not been, and cannot be, audited. The EBITDA of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical is included in this offering memorandum as we believe that it provides a useful measure of our results of operations after giving effect to the acquisitions of Med-FX, PDS Dental Laboratories Leeds and Dolby Medical; however, this information does not constitute a measure of financial performance under UK GAAP and IFRS and should not be considered a substitute for operating income, net income, cash flow or other financial measures computed in accordance with UK GAAP and IFRS, or as a measure of our future results of operations or liquidity. Results indicated by this measure may not be realised, and funds depicted by certain of these measures may not be available for management's discretionary use if such results are not realised.

- (C) The reversal of a one-off VAT grouping adjustment represents a VAT adjustment against the opening stock adjustment at the date The Dental Directory joined the existing VAT group.
- (D) Estimated pro forma adjusted EBITDA includes the full year effect of recent cost saving actions taken by management, annualised run-rate VAT grouping savings and the benefit of acquisitions completed prior to 18 July 2016. Cost savings initiatives include: (i) £0.7 million in annualised run-rate cost savings arising from the full-year effect of support centre staff headcount reductions; (ii) £0.3 million in annualised run-rate cost savings arising from the full-year effect of our contract for the sale of Colgate dental products in our "mydentist"-branded dental practices; and (iii) £0.7 million in annualised run-rate cost savings arising from the closure of dbg's former head office in Winsford and the consolidation of our practice services division's administrative and support functions in Witham, as well as a reduction in headcount among our practice services division's engineering team.
- (E) VAT group savings represent the annualised savings the group expected to generate from bringing Mi-Tec and The Dental Directory into the existing VAT group.
- (F) Acquisitions completed between 1 April 2016 and 18 July 2016 represents the run-rate estimated adjusted EBITDA before exceptional items of the two dental practices acquired during this period.
- (3) Represents EBITDA before exceptional items divided by revenue.
- (4) Represents gross profit divided by revenue.
- (5) Represents capital expenditures excluding acquisitions refurbishments. Maintenance capital expenditures include capital expenditures required for routine maintenance, equipment replacement, additional equipment purchases, building refurbishment not in connection with an acquisition and capital expenditures associated with practice relocations, but exclude capital expenditures made in connection with acquisitions. Following the completion of the roll-out of the "mydentist" brand to the majority of our dental practices towards the end of 2016, we expect a portion of the increase in our capital expenditures related to the rebranding to reduce, relative to our revenues, to more typical levels for our business.
- (6) Represents EBITDA before exceptional items less maintenance capital expenditures, divided by EBITDA before exceptional items.

- (7) Represents total senior secured borrowings less available adjusted pro forma cash at bank and in hand and unamortised arrangement fees, as adjusted to give effect to the Refinancing. See "Capitalisation."
- (8) Represents total borrowings less available cash at bank and in hand, as adjusted to give effect to the Refinancing. See "Capitalisation."
- (9) Represents estimated pro forma adjusted EBITDA divided by pro forma interest expense. Pro forma interest expense represents our net interest expense on a pro forma basis as if the Offering and the use of proceeds therefrom had occurred on 1 April 2015, assuming an imputed weighted average interest rate for the Notes and the Second Lien Notes, assuming a constant GBP LIBOR rate for the twelve months ended 31 March 2016 and assuming the New Revolving Credit Facility was undrawn during such period. Pro forma interest expense has been presented for illustrative purposes only and does not purport to reflect what our interest expense would have actually been had the transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.
- (10) Represents estimated pro forma adjusted EBITDA, less maintenance capital expenditures, divided by pro forma interest expense. Pro forma interest expense represents our net interest expense on a pro forma basis as if the Offering and the use of proceeds therefrom had occurred on 1 April 2015, assuming an imputed weighted average interest rate for the Notes and the Second Lien Notes, assuming a constant GBP LIBOR (subject to a 1.00% floor) rate for the twelve months ended 31 March 2016 and assuming the New Revolving Credit Facility was undrawn during such period. Pro forma interest expense has been presented for illustrative purposes only and does not purport to reflect what our interest expense would have actually been had the transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.
- (11) Represents the total number of UDAs per dental practices owned at the beginning of a given contract year delivered in such year, divided by the total number of contracted UDAs in place in respect of such dental practices at the end of that contract year. This percentage is calculated based on the agreed total number of UDAs at 31 March of the applicable year and, in respect of the percentage calculated on the agreed total number of UDAs at 31 March 2016, immaterial changes to such percentage may occur pending final agreement with NHS Regions regarding over performance paid or carried over to the next contract year. As UDAs are delivered under full year contracts, interim UDA delivery is not useful in an analysis of annual UDA delivery percentage.
- (12) Represents total private revenues generated by all the practices owned for the whole of the twelve months ended 31 March 2016, divided by the private revenue generated by the same practices in the corresponding periods of the preceding years.
- (13) Represents administrative expenses, plus distribution costs, less depreciation, amortisation of goodwill, amortisation of grant income and exceptional items, divided by revenue.
- (14) Represents the total number of dental practices we own as at a specified date.
- (15) Represents the nationwide price per UDA per year contract uplift promulgated by the UK Government in a given year.

Risk factors

Investors should carefully consider the risks described below together with all the other information included in this offering memorandum before making an investment in the Notes. The risks below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also materially and adversely affect our business or operations. Any of the risks described herein could have a material adverse effect on our results of operations and financial condition and our ability to service our debt, including Notes. In such a case, investors may lose all or part of their investment in the Notes.

Risks related to our business

We may fail to deliver UDA volumes under our NHS dentistry contracts, or we may reach those volumes over a longer period of time than originally expected, which could have a negative impact upon our results of operations and the financial performance of our business.

Many of our NHS dentistry contracts require the dental practice holding the contract to reach certain volumes within a certain period of time. If, whether due to underperformance, poor management, lack of demand or any other reason, a dental practice suffers repeated UDA underperformance of more than 4% (or 5% in Wales) in any three years, volumes under the contract may be reduced, or, if the cumulative effect of breaches are prejudicial to the services to be provided under such NHS dentistry contract, the entire contract may be lost. In addition, as we are paid each month for 1/12 of the contract value under NHS dentistry contracts, any underperformance in terms of UDA delivery must be repaid to the NHS after the end of the contract year of underperformance. Significant underperformance could thereby result in large repayments to the NHS, and we may not have cash or financing available at such times to make such repayments, which could adversely impact our financial condition.

Industry-wide factors have resulted in a decrease in our UDA delivery rates, which negatively impacts our revenues from NHS dentistry services.

During the twelve months ended 31 March 2016, we experienced a decline in UDA delivery rates with respect to the NHS dentistry services provided by our patient services division. Our UDA delivery rate for the contract year ending 31 March 2016 was 92.4% compared to an average UDA delivery rate of 96.8% for the five years ended 31 March 2015. This reduction in UDA delivery rates in our core business of NHS dentistry services resulted in a decline in revenue and EBITDA before exceptional items for the year, with each 1% increase or decrease in UDA delivery equating to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items.

We believe that this decline in our UDA delivery rates is a result of industry-wide factors, namely increased NHS scrutiny of claims and performance benchmarks and a decrease in the number of exempt patients we treat as a result of the improving UK economy. The increased NHS scrutiny of claims and performance benchmarks, including delivery of so-called "28-day letters" to our patient services division's dental practices, has also reduced dentist productivity by requiring dentists to spend more time recording notes detailing patient care and causing dentists to be more cautious in claiming UDAs. Moreover, the decrease in the number of exempt patients, such as students under 19 years of age, the unemployed, new and expectant mothers and pensioners, exempt from payment ("exempt patients"), has resulted in a decline in the mix of UDA bands delivered, since exempt patients typically receive services requiring a high number of UDAs per course of treatment.

While we are undertaking measures to recover UDA performance, we cannot make any assurances that such measures will be successful, or that the loss of revenues from UDA delivery rates will be offset by increases in the provision of private dentistry services or NHS dentistry contract price uplifts. Furthermore, we may face continued NHS scrutiny in the future that may

offset any measures we take to address UDA delivery rate declines. See “Management’s discussion and analysis of financial condition and results of operations—Significant factors affecting results of operations—Patient services—Industry-wide factors affecting UDA delivery rates.” In addition to its impact on revenue, a drop in UDA delivery also increases the risk that NHS Regions may seek to renegotiate the number of UDAs contracted under certain of our patient services division’s NHS dentistry contracts or even, in an extreme scenario, terminate certain NHS dentistry contracts. A continuation of the decline in UDA delivery rate over an extended period of time may have a material adverse impact on our financial condition.

Our inability to attract and retain dentists, hygienists, nurses, practice managers and other key dental professionals could adversely affect our business, financial condition and results of operations.

The success of our dental practices depends on attracting and retaining qualified, skilled and experienced dentists, therapists, hygienists and nurses. Our success also depends on our ability to attract and retain qualified practice area and regional managers, in addition to senior management at the group level. In the future, if competition for the services of these dental professionals increases, we may not be able to continue to attract and retain such dentists, or may only be able to do so at unsatisfactory rates. We have previously experienced periods in which a shortage of qualified dentists in the United Kingdom and our inability to fill vacancies had a negative adverse effect on our operations, and we may experience similar periods in the future. In particular, our ability to attract and retain dentists could be negatively affected by any adverse change in our reputation, and this risk may be exacerbated by our recently-established brand. We may also experience localised shortages of dentists, as the availability and distribution of NHS dentists can vary widely across regions. Vacancies, whether localised or on a national scale, result in lower rates of UDA delivery and may partly reflect variable levels of spending on NHS dentistry by the NHS, and thereby affect our ability to perform under our contracts and our results of operations. Furthermore, our plans for future talent sourcing and retention of highly trained dental professionals may not materialise or may be more expensive than expected. We have historically experienced a high rate of turnover among our dental nurses. The implementation of a national living wage in the United Kingdom may result in additional turnover among our dental nurses as the pay for other types of work will increase.

Our business depends on personal relationships and the professional reputation of our dentists, whose patients refer other patients to our dental practices. Dentists who have left our practices and who have strong relationships with their local health community may draw business away from us. If we lose, or fail to attract and retain, skilled dentists, hygienists, nurses and other key dental professionals, our revenue and earnings could be adversely affected.

When necessary, we have attempted to overcome shortages in the supply of dentists, hygienists and nurses in the United Kingdom by recruiting dentists, hygienists and nurses from outside the United Kingdom, particularly from South Africa and Eastern Europe. If shortages in the supply of dentists, hygienists and nurses in the United Kingdom occur again, we may be unable to fill vacancies in the future if immigration processing and obtaining NHS and GDC approvals (including language tests) becomes more difficult, particularly for dental professionals who are not citizens of the EEA. Such difficulties may be exacerbated by the United Kingdom’s decision to withdraw from membership of the European Union following the referendum which took place in June 2016, particularly if such withdrawal (or any renegotiation of the terms upon which the United Kingdom is to remain part of the European Union) results in greater restrictions on the movement of people between the European Union and the United Kingdom. An inability to fill vacancies with non-UK citizens during times of shortage of dental professionals in the United Kingdom could result in underperformance in our contracts and a corresponding loss of revenue or, if such underperformance is significant and persistent, decreased volumes under, or losses of, our NHS dentistry contracts.

We spend substantial resources and time training our staff, and any increase in staff turnover in an industry where shortages in the supply of qualified dentists is common could increase our operating costs and impact the quality of the services we provide.

Our business activities are exposed to significant health and safety risks, and we may also be subject to future liability due to unforeseen health and safety risks.

Health and safety risks are inherent in the services that we provide and are always present in the dental practices that we operate. Our business activities are, in particular, exposed to significant risks, relating, for example, to the transmission of infections (including blood-borne infections, such as HIV) and other risks, to dentists, employees and patients, associated with medical practices generally and dental practices specifically. Furthermore, we sell dental equipment and supplies, as well as, following our acquisition of Med-FX, facial aesthetic products, and have warehouses and logistic systems which are also subject to health and safety regulations and standards. If an incident occurs because of a failure to comply with health and safety regulations by us or our employees or as a result of a defective product sold by us, we may be held liable or fined, and any registration certificates or licences we require to operate our business or our dental practices could be suspended or withdrawn for such failure. This may have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. From time to time we have experienced health and safety incidents.

Our operations are subject to licensing and regulation under national and local laws and regulations in the United Kingdom relating to the protection of human and occupational health and safety, including those governing the handling and disposal of medical samples and biological, infectious and hazardous waste, as well as regulations relating to the safety and health of dental professionals and staff. Our dental practices are also required to comply with specific regulations for dentists, including sterilisation and decontamination rules. In addition, we must meet extensive requirements relating to workplace safety for personnel in dental practices who could be exposed to various biological risks such blood-borne pathogens (including HIV), which require work practice controls, protective clothing and equipment, training, medical follow-ups, vaccinations and other measures such as needlestick prevention.

Moreover, we could incur substantial costs and sanctions, including civil and criminal fines and penalties, enforcement actions, or the suspension or termination of our licences to operate as a result of violations of our responsibilities under these laws and regulations, which could have a material adverse effect on our business. We also may become subject to claims from employees or other persons, such as those alleging injury or illness resulting from exposure to materials they handle or to which they are exposed or to patients with whom they come into contact.

Health and safety regulations are likely to become more stringent over time, and our costs to comply with these requirements are likely to increase.

We handle personal data including sensitive patient data in the ordinary course of our business, and any failure to maintain the confidentiality of that data could result in legal liability for us and reputational harm to our business.

Failure to comply with privacy laws and regulations could impact our operations in both our patient services and our practice services.

In our patient services division, we receive, generate and store significant volumes of personal data including sensitive information, including patients' medical information. We are therefore subject to privacy laws and regulations and related security protocols with respect to the use, transfer and disclosure of protected health information intended to protect the confidentiality, integrity and availability of such information, and the privacy of the individuals.

Privacy regulations and related security protocols establish a complex regulatory framework on a variety of subjects, including:

- the circumstances under which the use or disclosure of protected health information is permitted or required without the specific freely given consent of the patient;
- a patient's rights to access, amend and receive a statement of certain disclosures of protected health information;
- requirements to notify patients of privacy practices for protected health information;
- administrative, technical and physical safeguards required of entities that use or receive protected health information; and
- the protection of computing systems that store protected health information.

The European data privacy regime under the European General Data Protection Regulation also impacts us and our operations, in our practice services division.

Even if such data was not subject to the strict regime imposed by the Data Protection Act, a failure to comply with equivalent standards could harm our reputation and reduce the number of customers willing to purchase supplies from us. Furthermore, as our practice services unit sells supplies to dental practices with which our patient services unit competes directly, we need to maintain strict information barriers within the group and any breach of such barriers could lead to fewer customers being willing to transact with us.

If we do not adequately safeguard confidential patient data or other protected health information, or if such information or data is or are wrongfully used by us or disclosed to an unauthorised person or entity, our reputation could suffer and we could be subject to significant fines, penalties and litigation.

We are exposed to litigation risks, including litigation risks related to medical negligence and disputes with employees.

From time to time we are subject to various actual and potential claims, lawsuits and other proceedings relating principally to breaches of contract, breaches of employment legislation, common law causes of action for civil damages, negligence and personal injury, and other claims. Some of the claims, lawsuits and proceedings against us may involve claims for substantial monetary damages and the cost of defending against such claims has been and may be significant. Moreover, such claims could divert our senior management's attention from our day-to-day operations and negatively affect our business. If we fail in defending such claims, or, in the case of product liability claims related to supplies we sold, we are unable to successfully seek redress against the original manufacturer under any indemnification agreement that might be in place, it may result in substantial monetary damages, which may materially and adversely affect our financial condition and results of operations. Whether or not we are successful in defending against them, such claims may also cause significant damage to our reputation and result in decreased demand for our dental services, thereby making it more difficult to attract dentists or tender for new NHS dentistry contracts. For a summary of ongoing claims we consider significant, see "Business—Legal proceedings."

Although we believe that our dentists are solely liable in the case of claims alleging medical or professional negligence, which may be covered by a dentist's professional insurance, claimants may attempt to bring us into proceedings in respect of such claims.

Failures of our information technology systems, including cyber attack, other major incident, or failures resulting from system conversions under the new NHS dentistry contract, could disrupt our operations and cause the loss of UDA claims, customers, patients or business opportunities.

IT systems are used extensively in virtually all aspects of our business, including reporting, billing, patient information processing and storage, logistics and the management of systems monitoring our performance as well as the website through which customers order a substantial portion of the consumables and materials supplied by our practice services division. Our operations depend on the continued and uninterrupted functioning of our IT systems. As part of our efforts to increase our operational efficiency and leverage our economies of scale, upon each acquisition we have centralised and insourced a number of functions previously carried out by individual dental practices, including IT, compliance, regulatory, legal, finance, human resources, health and safety, risk management, talent sourcing, training, marketing, insurance and logistics functions. Whilst we believe centralisation and insourcing of these functions have made our operations more efficient, such activities have to a certain extent also made such functions more vulnerable to a catastrophic failure at the site or sites at which the IT systems underlying such functions are physically located. In addition, there is the risk that the process of centralisation and insourcing disrupts the normal functioning of our IT systems, resulting in losses of information or disruption to our operations. IT systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, human acts and natural disasters. Moreover, our IT systems may be subject to cyber attack through physical or electronic break-ins, computer viruses and other similarly disruptive problems.

We record and claim UDAs via our IT systems. If possible changes to the NHS dentistry contract are implemented we could be required to update our IT systems to address changes under the new regime. UDAs may only be claimed under the contracts from which they arose if such claims are made within one contract year of the service giving rise to the UDA claim. If, whether due to our inability to update our IT systems upon changes to the new NHS dentistry contract or to a failure of our information systems or otherwise, we are unable to claim UDAs by the required deadline, such UDAs may be lost, and we may underperform on the applicable contract. The result of such underperformance may include reduction in UDA volumes or even the loss of such contracts, which could have an adverse effect on our business, financial condition and results of operations.

We also sell a substantial portion of the consumables and materials supplied by our practice services division through The Dental Directory's website, and any failure of the IT systems underlying The Dental Directory's website could have an adverse effect on the business, financial condition and results of operations of our practice services division.

Failure to continue to comply with quality of care standards could adversely impact our reputation.

We are subject to a high level of regulation and oversight. The CQC is our primary regulator in England, with the equivalent regulators in Scotland, Wales and Northern Ireland being Healthcare Improvement Scotland ("HIS"), Healthcare Inspectorate Wales ("HIW") and the Regulation and Quality Improvement Authority ("RQIA"), respectively. The CQC, HIS, HIW and RQIA set quality of care standards and registration requirements that we are required to meet. Some of these standards are stringent, and require significant costs for us to comply with them. By law, our dental practices in England, Wales, Scotland and Northern Ireland must be registered and licensed with the CQC, HIS, HIW or RQIA, as applicable, to show that they are meeting certain essential standards of quality and safety. Non-compliance with such standards may result in a range of enforcement actions taken by the CQC, HIS, HIW or RQIA, ranging from fines and public admonition to facility closure, and could materially and adversely affect our business, financial condition and results of operations. Furthermore, those legal entities of the group which sell dental supplies to the group's and third party practices must be properly accredited in order to sell such products. In addition to the cost of compliance and fines or

disruptions to our business, non-compliance, or alleged non-compliance, may lead to unfavourable national press coverage, which could have the effect of damaging our reputation with our patients and with NHS England, NHS Scotland, Health in Wales and Health and Social Care in Northern Ireland and which could materially and adversely affect our business, financial condition and results of operations. This effect could be exacerbated following the rollout of the “mydentist” brand across our patient services division’s dental practices.

We may not be able to continually enhance our dental care practices with the most recent technological advances in dental care equipment, which could affect our growth prospects and our reputation.

Technological advances in dental care equipment can be rapid and requires a substantial investment of resources by dental practices. Such equipment costs represent significant capital expenditures for us. Rapid technological advances could render existing equipment obsolete earlier than anticipated and result in assessed impairment charges, which may have a material effect on our results of operations. If we are unable to purchase the necessary equipment, our reputation could be negatively affected, which could have a material adverse effect on our business, financial condition and results of operations.

Our inability to successfully roll-out our “mydentist” brand strategy whilst retaining reputational control, particularly in respect of social media, could adversely affect our reputation, financial condition, business and results of operations.

We launched the “mydentist” brand identity in October 2014 and are in the process of rolling out the brand to the vast majority of our 674 dental practices with target completion during the first half of the financial year ending 31 March 2017. Our failure to manage the roll-out of the brand across our dental practices on time, within budget, or at all, could impact our ability to generate a return on our investment which could adversely affect our financial condition.

Once our dental practices are operating under a single brand identity, the risk of damage resulting from our inability to retain reputational control of our brand will be significantly increased. This is exacerbated further through the increasing usage of social media. Our failure to retain reputational control over our brand could significantly impact our business, financial condition and results of operations.

Any change to the legal classification of contracts under our operating partnerships could have a material adverse effect on our business, financial condition and results of operations.

Certain of our clinical directors act as partners in dental practices which we acquire through partnership structures. This allows us to both exercise control over the partnership and maintain the NHS dentistry contract without assigning it to another party, which would require NHS England’s consent. If our clinical directors were no longer willing to be identified as partners in our dental practice partnerships, due to, for example, the risks and liabilities associated with acting as partner (for example, in 2015, one of our partnerships was fined and involved in a criminal proceeding due to the inadvertent loss of registration of a partnership due to a technical error), and we were unable to replace them, we could effectively lose the benefit of the relevant NHS dentistry contract with the affected partnership. Additionally, as there is no direct contractual nexus between us and NHS England in respect of NHS dentistry contracts held by a partnership, payments for NHS dentistry services provided by a partnership have historically been made directly to accounts that belong to the relevant partnership, and for certain dental practices we acquired in the past, we have no direct control over these accounts, other than through our clinical directors. Whilst we modified the payments structure for acquisitions of dental practices that are partnerships from the start of 2014 onwards, this payment structure remains in place for acquisitions made prior to that date and any loss of payments could adversely affect our revenues, and therefore our financial condition and results of operations.

The death of one or more of the partners in our dental practice partnerships may result in the surrender of the NHS contracts held by such partnership, and result in the re-tendering of such contracts.

We rely on relevant NHS regulations that permit the transferability of NHS dentistry contracts between partners in a partnership to transfer contracts to our clinical directors. If such regulations were modified it could render us unable to transfer, and thereby benefit from, NHS dentistry contracts held by our partnerships. If we lost NHS dentistry contracts held by our dental practices organised as partnerships because of the death of any partner within those partnerships, which dental practices constituted approximately 24.0% of our practices as at 31 March 2016, or were unable to transfer such contracts, it could materially and adversely affect our revenues, and therefore our financial condition and results of operations.

Our ability to grow our business relies significantly upon our acquisition strategy and there can be no guarantee that sufficient or appropriate acquisition opportunities will be available to us, that financing will be available on acceptable terms or that, once acquired, new businesses will be successfully integrated into our operations.

To date, growth in our dental practice estate has been largely attributable to the acquisition of other small and medium-sized independent dental practices and their integration into our existing network. We plan to continue to expand our business organically through similar acquisitions, with a focus on acquiring dental practices which have UDA delivery rates of at least 96%. During the twelve months ended 31 March 2016, we completed the acquisition of 34 dental practices. During the twelve months ended 31 March 2015, we acquired 66 dental practices which included the acquisition of the Denticare group of 26 practices.

The success of our acquisition strategy depends on the ability of our senior management to identify suitable acquisition candidates, to accurately assess the value, strengths, weaknesses, contingent or other liabilities and potential profitability of such acquisition candidates, to obtain any necessary permits or approvals from bodies such as the NHS and the Competition and Markets Authority (the "CMA") to operate such acquisition candidates and to integrate the operations of such businesses once they are acquired. Our success in making additional acquisitions depends on the availability of, and competition for, suitable acquisition candidates. Successful integration of acquired practices will depend on our ability to effect any required changes in operations or personnel, and may require renovation or other capital expenditures or the funding of unforeseen liabilities. The integration and operation of any future acquisitions may expose us to certain risks, including the following: difficulty in integrating the acquired businesses in a cost-effective manner, including the establishment of effective management information and financial control systems; unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions; significant unexpected liabilities or contingencies arising from the acquisitions; potential disruptions to our ongoing business caused by our senior management's focus on the acquired companies; and post-acquisition performance not meeting our expectations or plans. There can be no assurance that our future acquisitions will be made on appropriate terms or at an acceptable cost or can be successfully integrated. A failure to identify appropriate acquisitions or to properly integrate them once acquired could have a material adverse effect on our business, results of operations, financial condition or prospects.

In addition to acquiring small and medium-sized chains of independent dental practices as part of our ongoing acquisition strategy, from time to time we may also enter into acquisitions of a larger scale or in complementary markets to our current operations. If we were to undertake such additional acquisitions, the risks associated therewith would be similar in nature to, but of a substantially greater magnitude than, those associated with our more routine acquisitions.

There can be no assurance that future acquisitions will be made on appropriate terms, or at an acceptable cost, or that the acquired businesses will be successfully integrated with the rest of

our businesses. A failure to identify appropriate acquisition targets or to properly integrate them once acquired could have a material adverse effect on our business, results of operations, financial condition or prospects. For example, we have recently experienced an increase in the EBITDA multiples at which vendors of dental practices are offering their practices. Additionally, while we intend to focus on acquiring dental practices with historical average UDA delivery rates of at least 96%, we may experience difficulty identifying and acquiring on acceptable terms dental practices with sufficiently high UDA delivery rates to improve our overall UDA performance.

We are subject to competition legislation that affects our ability to acquire dental practices. Whilst the UK dental market is as a whole highly fragmented, we have a high market share of dental practices and UDAs in certain localities. The CMA, the UK's competition regulator, may review acquisitions we make for purposes of compliance with competition law. This could limit our ability to acquire new dental practices and grow, particularly in markets we find attractive. If we do not comply with competition laws, we may be subject to significant sanctions.

We have historically financed acquisitions of dental practices through a variety of sources, including our own cash reserves and debt financing. Whilst we intend to continue to finance acquisitions from these sources in the future, we may have insufficient cash reserves to fund acquisitions and adverse market conditions or other factors may prevent us from obtaining debt finance on acceptable terms or at all.

If we are unable to implement our acquisition strategy, obtain sufficient financing or integrate acquired businesses successfully, our business and prospects for growth could be negatively affected.

The operations of our practice services division are subject to a significant level of competition and regulatory oversight, and are reliant upon transport and warehousing infrastructure in order to generate revenues.

Our practice services operations are subject to intense competition from other suppliers and distributors of dental and medical products and equipment. This competition can result in pricing and margin pressures or loss of customers as a result of competitor actions. There is also substantial competition for the services of experienced sales staff, the loss of whom could adversely impact our ability to retain customers. Any significant loss of customers is ultimately likely to have a materially adverse impact upon our revenues and results of operations.

Our practice services division is subject to regulatory oversight by the Medicines and Healthcare Products Regulatory Agency ('MHRA') in respect of the purchase, storage, sale and distribution of controlled drugs and medicines. Failure to comply with these regulations could result in fines or penalties, including the risk that we may no longer be able to supply certain or any controlled drugs or medicines. This could have a significant adverse impact upon our revenues and results of operations and could also result in the loss of customers to our competitors due to our inability to provide a complete range of the products and services they require. In addition, to the extent that we inadvertently supplied products that did not meet with regulatory requirements, we could be subject to warranty or compensation claims from our customers. Such claims could have a substantial adverse impact upon our business, results of operations and financial condition and there could be no certainty that we would ultimately be able to recoup such losses from our suppliers.

Our warehousing, supply and distribution operations are also subject to the risk of disruption which could adversely impact our ability to fulfil customer orders and therefore adversely impact our results of operations. Disruption could result from a major incident, such as a fire, at our warehouse which is concentrated in a single location, or disruption to transport infrastructure, both in respect of goods arriving from suppliers, some of which are located

overseas, and the delivery of goods to our customers. Such disruption could ultimately also result in the loss of customers to competitors and adversely impact our business, results of operations and financial condition.

Our competitors may not be willing to also be customers of our practice services division.

In the past several years, we have acquired a substantial presence in the dental practice service and supply market, primarily through the acquisitions of dbg and The Dental Directory.

However, there is a risk, associated with this vertical integration since certain of our competitors could cancel their contracts with our dental practice services unit which would result in a decrease in our EBITDA. Following the acquisition of dbg and The Dental Directory, we initially experienced a loss of contracts with our competitors. To the extent a significant proportion of our practice services division's third-party dental practice customers cease conducting business with us, it could have an adverse impact on the business, results of operations, financial conditions or prospects of our practice services division.

We rely on continued patient demand for dental care, and a decrease in patient demand, or an adverse change in the UDA band mix that patients demand, could adversely impact our business, results of operations and financial condition.

Our future growth depends on our ability to maintain our existing high-quality services and, through successful sales and marketing activities, maintain increased demand for our dental services. Any number of factors such as health and safety incidents, problems in our dental facilities, negative media or social media coverage, or general patient dissatisfaction, whether legitimate or not, could lead to a deterioration in our reputation and the public perception of the quality of our dental services, which in turn could lead to a loss of business support for our operations. Any impairment of the value of our brand and registration could similarly have a material adverse effect on our business, results of operations, financial condition or prospects. Additionally, the possible transition to a new NHS dentistry contract and a business model that will focus more on quality care will make our UDA delivery more reliant on patient outcomes and feedback. Demand for our services, particularly for our private dentistry services, is also strongly dependent on macroeconomic factors. To the extent the demand for NHS dentistry services changes in such a way that it reduces the UDA band mix of services we provide, it could impact our UDA delivery rates and, therefore, our revenues. For example, as the UK economy has improved during the contract year ending 31 March 2016, we experienced a decrease in exempt patients who typically demand higher UDA bands since services are provided to such patients without a patient contribution. This change in the UDA band mix has impacted our UDA delivery rates and revenues from NHS dentistry services. There can be no guarantee that demand for our services will grow or continue, and any decrease in demand and any such failure could have a material adverse effect on our business, results of operations, financial condition or prospects.

Our costs of operations are subject to price inflation, but UDA values, which make up a majority of our revenue, are subject to UK Government determination which may not reflect the actual inflation rate, resulting in increases to our cost of doing business that we are unable to pass on, which could adversely affect our results of operations and financial condition.

We are subject to price inflation in the purchase of our materials and services and to inflation in respect of the fees paid to our dentists and the wages paid to staff. At the same time, a significant portion of our revenue is paid under NHS dentistry contracts with prescribed annual adjustments for UDA values for inflation. Historically, the UDA contract uplift recommendations made by the Review Body on Doctors' and Dentists' Remuneration (the "DDR"), an independent review body that made recommendations to the Department of Health, were implemented. However, more recently the DDR's recommendation as to contract uplifts have not been followed, and the contract rates have been set by the UK Government. If increases

under our NHS dentistry contracts do not meet the price inflation and fee and wage inflation we experience in our business, the result would be an erosion of our profitability as the price we are paid for our services would decline in real terms. Depending on the quantum of inflation we experience, this could have an adverse effect on our business, financial condition and results of operations.

The introduction of a national living wage in April 2016 has increased our staff costs, as will any future increases in minimum wages or wage inflation or wage levies.

The national living wage took effect in the United Kingdom in April 2016, raising the minimum hourly wage for workers aged 25 and over to at least £7.20 per hour. Staff under age 25 will continue to receive the national minimum wage. These increases have been rolled out across our staff, and primarily affect wages paid to our dental nurses and support staff, which increases our staff costs. While the payment of the national living wage is expected to benefit our retention among these groups, our staff costs have increased, with the impact across our business expected to be approximately £0.6 million in the contract year ending 31 March 2017. In addition, in the contract year ending 31 March 2018, we will be required by legislation to pay an additional 0.5% of our total wages bill to the apprenticeship levy. Our results of operations could be adversely impacted to the extent that further increases in wages or wage levies are mandated, or to the extent that wages increase with inflation.

We may be subject to claims for recoupment of amounts paid under NHS dentistry contracts.

We are paid for NHS dentistry services under each of our 598 NHS dentistry contracts in equal monthly instalments of our annual contracted value. As such, we may receive payment for services not yet rendered, or for services that will not be rendered. Following the close of the contract year, we may be subject to claims for recoupment of amounts paid under NHS dentistry contracts where we were overpaid in respect of underperformance of UDA delivery. If we are found to have been overpaid in respect of a NHS dentistry contract, such sums may be subject to recoupment by NHS England. Although management has conducted a thorough analysis of the impact of such claims, amounts claimed in respect of such recoupment may be significant, and if we do not have cash or financing available at the time the recoupment is required, it may be difficult for us to repay such amounts. In addition, if a dentist working in one of our dental practices fraudulently claims UDAs in respect of services not actually performed, we may be liable for reimbursing NHS England for amounts received in respect of such NHS dentistry contract, and we may be unable to effectively recoup our losses from the fraudulent dentist. For a summary of ongoing claims for recoupment under NHS dentistry contracts that we consider significant, see "Business—Legal proceedings."

Certain of our operations are capital intensive and require significant capital investment and planning to support successful growth.

Our existing dental practices require expenditures on maintenance to repair ordinary wear and tear, to upgrade outdated equipment and to standardise the suite of dental equipment across our estate. For the twelve months ended 31 March 2016, our maintenance capital expenditure was approximately £22.2 million (2015: £20.6 million). Similarly, acquisitions of dental practices also require a certain amount of upfront capital expenditure, with the average three-chair practice acquired requiring approximately £50,000–£100,000 in capital expenditure. When we grow organically through new contract acquisition and new builds, or merge together existing practices, considerably more capital expenditure, up to £400,000 or more, is required. We have also increased capital expenditures in connection with our rebranding as "mydentist," with approximately £40,000 spent on each site rebranded. Our central support functions, particularly our IT systems, also require regular capital expenditure. If we do not generate sufficient cash flow from our operations or have funds available for future borrowing under our existing credit facilities to cover these capital expenditure requirements, we may not be able to make such capital expenditures, which may negatively impact our competitive position and, ultimately, our

revenues and profitability. Moreover, to the extent that our investment in capital expenditure does not generate the expected levels of returns in terms of efficiency or improved cost profile, or it takes longer to achieve such expected levels, there could be an adverse effect on our business, financial condition, results of operations and prospects.

We operate in a highly fragmented and competitive environment in certain geographic regions, and an inability to compete successfully with our competitors in these regions could result in a loss of market share, contracts or patients.

The dentistry industry in the United Kingdom is highly fragmented and competitive, particularly in certain geographic areas. Whilst we do not compete with any one competitor in each of the local markets in which we operate, our competitors include other national Dental Bodies Corporate (“DBC’s”) as well as regional and local independent dental practices, and we face current and prospective competition for patients and contracts from these competitors. In the current competitive environment, the principal market risk is that another entrant may look to replicate our acquisition and growth strategy and be of sufficient size as to offer a credible alternative to practice owners looking to sell their business. Among other risks, the presence of such a competitor could cause the average cost of each acquisition to increase, making it harder for us to make cost effective acquisitions at the rate to which we have become accustomed. Our practice services division operates in competition with certain national and regional companies including specialists in certain areas. In particular, some of our competitors, have developed a strong presence online and have sought to provide a “one-stop-shop” solution for customers, which could allow them to expand their market share. If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

Our inability to retain senior management could adversely affect our operations.

We rely upon the experience of our senior management team to identify acquisition opportunities, maintain relationships with key players in the dentistry industry and understand the technical and strategic elements of our business. Whilst we have attempted to establish policies and remuneration schemes designed to retain and properly incentivise our management team, no assurance can be given that these strategies will be effective in retaining key members of management. If one or more of our executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily, and our business may be disrupted, which may materially and adversely affect our results of operations and financial condition. In addition, if any of our executives or other key personnel joins a competitor or forms a competing company, we may lose know-how and other key members of management, which may also have an adverse effect on our business, financial condition and results of operations.

The result of the United Kingdom’s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a United Kingdom-based company and operate principally within the United Kingdom. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. The referendum result has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal. Depending on the terms of the withdrawal, the United Kingdom could lose access to the single EU market and to the global trade deals negotiated by the European Union on behalf of its members which could affect the attractiveness of the United Kingdom as a global investment centre and detrimentally impact UK growth. These

developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Volatility in the value of the pound against the euro and the dollar following the referendum has had, and could continue to have, a negative impact on the cost of sales for our practice services division because a significant proportion of our practice services division's supplies are purchased on a wholesale basis in euros and dollars. The withdrawal of the United Kingdom from the European Union may also make it more difficult for us to source dentists from outside the United Kingdom as a result of changes to UK border and immigration policy. In addition, if the United Kingdom does eventually leave the European Union, Scotland may have a second referendum on independence from the United Kingdom. A vote by Scotland to leave the United Kingdom could raise risks for our dental practices in Scotland. Any of these risks could have an adverse effect on our business, financial condition, results of operations and prospects.

Weakness in economic conditions could adversely affect demand for our services, which could in turn adversely affect our business, financial condition and results of operations.

An economic downturn in the United Kingdom or continuing UK Government austerity measures would increase the risks associated with our business, including the risk of reduced levels of government funding for the NHS and the risk of a lack of demand for our dental services generally. Most patients, unless exempt, are responsible for contributing to the cost of the dental services they receive. Even if government funding for dentistry is not significantly affected, macroeconomic weakness and high unemployment rates may result in non-exempt patients who are unable or unwilling to make their required contributions to the cost of their dental services, thereby driving down demand for dental services and affecting our UDA delivery rates. More generally, a decrease in household disposable incomes, or the perception thereof, in times of economic downturn can lead to a reduction in individuals' healthcare expenditure, which has had and could have in the future a negative impact on more discretionary spending, such as spending on our private dentistry services.

A downturn in the overall dental sector, or wider UK healthcare market, could also impact the operations of our practice services division by reducing demand for the products and services we supply. A reduction in demand could adversely impact our revenues and results of operations either through us reducing our sales prices, and therefore our margins, to maintain volumes, or through reduced sales volumes or through a combination of both.

Loss of our ability to use certain properties subject to long-term leases through reclamation by the landlord could adversely affect our business.

The majority of our dental practices and warehouses are situated in leased properties. A typical lease has a term of approximately 15 years in length. As with all leases, the landlord is entitled to serve notice to reoccupy the property at the end of the lease term. If landlords in respect of such properties choose to exercise their rights under such clauses, our dental practices may have to relocate to an alternative site and find other surgery space, perhaps upon short notice. In particular, this risk could materialise in situations where the landlord is also a dentist who previously sold the practice to us. He or she may exercise his or her right to reclaim the leased surgery space and it may be difficult for us to reopen the dental practice in a timely manner and we would have the additional challenge of a competing dental practice in the space where our dental practice previously traded in the event the dentist secures an NHS dentistry contract.

Our business and results of operations are subject to seasonal factors, and extreme weather conditions can affect our levels of activity and hence our revenue.

Historically, our revenue has been somewhat seasonal as dentists typically push to reach their UDA levels by working more intensively during the fourth quarter of each financial year. Our patients are less likely to attend or make dental appointments during inclement or severe weather conditions, particularly when transportation is disrupted. During such periods, we tend to experience a decrease in demand for our dental services and a reduction in our revenue, particularly in UDA delivery rates. If such weather events occur near the end of the contract year, we may experience difficulty achieving our annual UDA delivery targets.

In addition, our practice services division's warehousing and logistics facilities are at risk from localised instances of extreme weather or natural disasters.

Our insurance may be inadequate to cover future liabilities and our insurance premiums may increase substantially.

We may be subject to significant losses from claims, liabilities, hazards and disasters. Whilst we currently maintain insurance which we believe is adequate and consistent with industry practice, we may experience losses in excess of our insurance coverage or claims not covered by our insurance. Furthermore, there can be no assurance that we will be able to obtain insurance coverage in the future on acceptable terms or at all. Any such losses not covered by insurance may have a material adverse effect on our financial condition and results of operations.

A substantial portion of our assets are represented by goodwill, and we may never realise the full value thereof or we may be required to write down the value of our goodwill.

We have recorded a significant amount of goodwill. Total goodwill, which represents the excess of cost over the fair value of the net assets of the businesses we acquire, was £339.0 million as at 31 March 2016, or 34% of our total assets.

We perform goodwill impairment testing on an annual basis. If we were to conclude that a future write-down of our goodwill is necessary, we would have to record the appropriate charge, which could result in a material adverse effect on results of operations. A write-down of our goodwill may result from, amongst other things, deterioration in our performance or a decline in expected future cash flows.

Changes in tax laws or challenges to the Group's tax position could adversely affect the Group's results of operations and financial condition.

We are subject to complex tax laws. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that HMRC are in agreement with our interpretation of these laws. If our tax positions are challenged by HMRC, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our services to track and collect such taxes, which could increase our costs of operations or effective tax rate. The occurrence of any of the foregoing tax risks could have a material adverse effect on our business, financial condition and results of operations.

Changes in tax law related to the deductibility of certain types of interest may result in increased tax costs.

Under UK law, interest payments in respect of indebtedness are generally deductible from taxable profits. If, however, a company is considered thinly capitalised—that is, if it has more debt than it either could or would borrow acting in its own interests—the deductibility of interest on amounts of debt considered "excessive" (or greater than would arise if the company

was acting at arm's length from the lender) may be treated as distributions of equity instead of interest in respect of indebtedness for tax deductibility purposes. The determination of whether a company is thinly capitalised is made on the basis of a company's self-assessment, negotiated with HMRC, of its true, arm's-length borrowing capability, as if it were borrowing on a stand-alone basis from a third-party lender. Amounts of interest paid on debt in excess of such borrowing capability are treated as distributions on equity and are not deemed to be deductible for tax purposes. At present, we negotiate with HMRC the amount of interest under certain types of our indebtedness that is not paid on indebtedness in excess of our borrowing capability and that therefore may be deducted for tax purposes. We have an agreement in place with HMRC in respect of tax year 2012-2013. The position in respect of 2013-2014, 2014-2015, 2015-2016 and future tax periods is subject to ongoing discussions with HMRC. However, if the law, which is currently under review, were to change to standardise or reduce the amount of indebtedness considered "excessive," we may no longer be able to deduct as much, if any, interest accrued under certain types of our indebtedness, which would effectively increase the amount of taxes we pay on our taxable profits.

We may not be able to tender for new NHS contracts if we do not comply with applicable laws.

The UK Government has implemented a procurement policy requiring potential suppliers of goods and services to the government, including us as providers of NHS dentistry services, to self-certify their recent tax compliance history as part of contract tender processes, and to comply with health and safety equality and other laws. If we do not comply with such laws, we may not be able to participate in tenders for new NHS dentistry contracts, which could adversely affect our results of operations and prospects.

We could be adversely affected by violations of anti-bribery laws or violations of other government regulations by our employees.

Anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-bribery laws. We operate a large number of dental practices throughout the United Kingdom and rely on our management structure, regulatory and legal resources and effective operation of our compliance programme to direct, manage and monitor the operations of our practices and the activities of our dentists and employees.

Despite our training, oversight and compliance programmes, however, we cannot ensure that our internal control policies and procedures will always protect us from deliberate, reckless or inadvertent acts of our employees or dentists that contravene our compliance policies or violate applicable laws. Violations of these laws, or allegations of such violations, could result in a material adverse effect on our business, financial condition, results of operations or prospects.

We may be subject to organised action by our dentists or other employees, which could decrease our profitability and negatively affect our results of operations.

Self-employed dentists working in our dental practices could act collectively to demand a higher portion of contracted fees for the services they perform in our dental practices. Whilst none of our employees are currently unionised, no assurance can be made that such employees will not become unionised in the future. Any such collective action or unionisation by our self-employed dentists or employees, whether targeting us specifically or not, could have the effect of increasing our costs, thereby adversely affecting our results of operations.

The interests of our shareholders could conflict with your interests.

A majority of our equity interests are beneficially owned by Carlyle and Palamon. See "Principal shareholders." As a result, Carlyle and Palamon are able to control matters requiring

shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers and acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of both Carlyle and Palamon could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, Carlyle or Palamon could cause us to pursue acquisitions, divestitures, financings, dividend distributions or other transactions which, in their respective judgement, could enhance their equity investments, even though such transactions might involve risks or decrease the market value of the Notes. Such transactions may not trigger a "Change of Control" under the Indenture. Furthermore, Carlyle or Palamon may sell all or any part of their respective shareholding at any time or look to reduce their holding by means of a sale to a strategic investor, an equity offering or otherwise.

We are exposed to currency fluctuation risks that could adversely affect our profitability.

Our practice services division is subject to a certain degree of foreign exchange risk related to purchases of consumables and materials in euros and US dollars. We generate revenue in pounds sterling and, because of this, we are unable to match purchases made using Euros or US dollars with revenue generated in these currencies. Significant changes in the value of the pound sterling relative to the Euro or US dollar could adversely affect the results of operations of the practice services division. Although it is the group's policy is to hedge the pound sterling equivalent costs of a proportion of our foreign currency purchases using vanilla foreign exchange derivative contracts, in order to reduce uncertainty over future cashflows, there can be no certainty that significant fluctuations in foreign exchange rates will not have a materially adverse impact upon our results of our operations.

Risks related to our industry

Any change in the employment status of dentists in our dental practices could have an adverse effect on our business, financial condition and results of operations.

Our dentists are self-employed, independent contractors. Because of their non-employee status, we do not pay pension contributions, employer National Insurance contributions, holiday pay or medical negligence insurance in respect of our dentists, and our dentists do not have the rights of employees under the Employment Rights Act 1996. If HMRC reassessed our business model and objected to the self-employed status of the dentists in our dental practices it could lead to significant costs and tax consequences for our business. In addition, we have in the past been subject to conflicting, non-precedential employment tribunal determinations regarding the employment status of our dentists. To the extent employment tribunals would begin to consistently consider dentists to be our employees, we may also be exposed to new areas of liability under employment law. The occurrence of any of the foregoing would materially and adversely impact our business, financial condition and results of operations.

Changes to Value Added Tax ("VAT") legislation, or the judicial interpretation of VAT legislation, resulting in the application of VAT in respect of the services we provide to our dental practices could have an adverse impact on our results of operations.

VAT is a tax charged on most business transactions in the United Kingdom. A hypothetical VAT-registered business adds VAT to the prices at which it sells its goods and services and reclaims the VAT it pays for the goods and services it purchases. The current standard rate of VAT in the United Kingdom is 20%. Dentistry, however, is a VAT-exempt service under applicable VAT legislation, which means that most dental services are exempt from VAT and charges for supplies amongst groups of dentists are exempt from VAT provided that they relate to the provision of services or facilities that are predominantly medical in nature and are necessary to allow the recipient of such services and supplies to perform dentistry. We have structured our operating subsidiaries such that two of our operating subsidiaries, Petrie Tucker & Partners Limited ("PTPL") and Whitecross Dental Care Limited ("Whitecross"), provide services in terms of

payroll, the provision of supplies and estate management, amongst others, to the majority of our dental practices. Under this arrangement, we consider the services provided by PTPL and Whitecross to be VAT exempt, insofar as they relate to the provision of services or facilities that are predominantly medical in nature and are necessary to allow the recipient of such services and supplies to perform dentistry. If, however, HMRC successfully challenged our VAT-exempt status, the costs of our operations would effectively increase by an additional 20%, which would materially and adversely impact our business, financial conditions and results of operations. In addition, if VAT rates were to increase our cost base would be negatively affected to the extent of such increase, and we would not be able to recover such increase in VAT costs.

We are in the process of negotiating sectorised partial exemption schemes with HMRC in connection with integrating dbg and The Dental Directory into our VAT group. If we are unable to integrate dbg and The Dental Directory into our VAT group as expected, we would lose a portion of the expected benefits of these acquisitions.

We are subject to numerous legal and regulatory requirements governing our activities. If we fail to comply with such requirements, we may be subject to substantial fines or sanctions which could have a material adverse effect on our financial condition and results of operations or could impact our ability to conduct our business.

The provision of our dental services is subject to a high level of regulation and oversight. These regulatory requirements relevant to our business cover the entire range of our operations, from the initial acquisition of new practices, which are subject to registration and licensing requirements, to the sourcing of dentists and the recruitment and appointment of dental support staff, occupational health and safety, duty of care to patients, clinical standards, the conduct of our dentists, other dental professionals and support staff, and other stringent requirements. The majority of our operations are regulated by the same body, the CQC, or its equivalent in Scotland (HIS), Wales (HIW) and Northern Ireland (RQIA). See “Business—Regulation.” We are also subject to regulations imposed by the Health and Safety Executive, which is the national UK independent regulator for health and safety in the workplace and some legal entities may be required to hold a license with Monitor (the health sector regulator in the UK which became part of NHS Improvement from 1 April 2016).

Furthermore, new legislation, regulations, regulatory systems or regulatory bodies may be introduced, and we are unable to predict their content and their effect on our business. There can be no assurance that our operations will not be adversely affected by regulatory developments.

A failure to comply with government regulations or the receipt of a negative report that leads to a determination of regulatory non-compliance or the failure of any of our dental practices to cure any defect noted in an inspection report, for example, could result in reputational damage, fines and/or the revocation of the licence of any of our dental practices.

Regulatory action could also result in our management deciding to cease providing dental services in a particular region or to close a particular practice because of negative publicity or regulatory sanction. In addition, regulatory action in relation to one or more of our practices, regardless of the substantive merit or the eventual outcome of such action, may have a material adverse effect upon our reputation and brand and our ability to attract and/or retain patients, expand our business or seek licences for new dental practices, either nationally or within the regional area in which the dental service which is subject to the regulatory action is located.

Any failure to comply with applicable regulations could have a material adverse effect on our business, financial condition, results of operations or prospects.

Our operations are also subject to regulation from the Financial Conduct Authority (“FCA”) in respect of the brokering of consumer credit for high value private dentistry treatments and from the Payment Card Industry Security Standards Council in respect of the receipt of

electronic card payments. Failure to comply with these requirements could adversely impact our ability to offer certain high value private dentistry treatments and/or to receive electronic card payments which comprise a substantial proportion of our private dentistry revenues, practice services revenues and patient charges for NHS treatment.

The terms of any new NHS dentistry contract, are uncertain, and the final terms of any such new NHS dentistry contract could be different from those we expect, which could have undesirable consequences for us and could result in material changes to our business.

The UK Government is currently reviewing the regulatory framework related to NHS dentistry and the NHS dentistry contract, with the goal of making NHS dentistry more efficient, accessible, high quality and focused on preventative care. In October 2015, the government commenced a prototype trial process as the next stage in the reform of the NHS dentistry contract. We currently anticipate that this process will evaluate the proposed contract over the next two to three years, although it is not yet certain if or when a new NHS dentistry contract will be introduced and adopted by an Act of Parliament. As with any significant regulatory change, there exists the risk that we may not be able to adapt to the change, or the change may prove costly or limit our ability to execute our business model and strategy. For example, the UK Government has indicated that, under the prototype trial, a partial move away from compensation based on UDA volumes may be introduced, and instead dentists will also be rewarded based on a combination of number of patients registered, number of patient visits and quality metrics that measure clinical patient outcomes and the quality of the patient experience. The UK Government and the GDC have also indicated that non-dentist staff such as hygienists will be able to carry out preventative services without a referral from a dentist, potentially adding competition to dental practices by independent hygienists. Since the final terms of any proposed new NHS dentistry contract are uncertain, we cannot anticipate all risks that might arise upon the adoption of any such new NHS dentistry contract, including risks that may specifically target our business model, and we cannot provide assurance that dentistry will remain under the purview of the NHS. If any such new NHS dentistry contract has terms different from those we expect, our business, financial condition and results of operations could be materially adversely affected, and it could result in material changes to our business, financial condition, results of operations or prospects.

We rely on contracts with publicly funded entities in the United Kingdom such as the NHS for a substantial proportion of our revenues, and changes to levels of funding or funding priorities under such contracts could adversely affect our business, results of operations and financial condition.

NHS dental services accounted for 68.3% of our total revenues for the twelve months ended 31 March 2016. Overall NHS spending is currently significantly constrained as a result of the UK Government's efforts to reduce government spending. Although the UK Government has pledged to increase expenditure on the NHS by £8 billion by 2020, the existing financial constraints are likely to remain in place for the foreseeable future. While dental expenditures have not declined in nominal terms, contract uplifts have not kept up with inflation, resulting in a decline in the price paid for our NHS dentistry services in real terms. Any decline in government funding for NHS dentistry services, whether in nominal or real terms, could result in lower overall volumes of UDAs, lower prices per UDA, fewer new contract tenders or other measures that could cause declines in our revenue and materially adversely affect our business, financial condition and results of operations. Such a decline in nominal or real terms of NHS dentistry spending would also have a direct negative impact on our practice services unit, as some of the unit's largest customers are NHS affiliates, and an indirect negative impact on our practice services unit, as a reduction in revenues for dental practices could cause them to reduce their purchases of non-essential supplies and work to reduce their overall supply costs, including with respect to services and supplies purchased from us.

In addition, approximately 7% of our NHS dentistry contracts, principally providing orthodontic treatments and covering approximately 5% of our group revenue for the twelve months ended 31 March 2016, are Personal Dentistry Services (“PDS”) contracts, which are typically fixed term contracts with a period of three to five years. These contracts are therefore subject to periodic competitive re-tender. Our failure to successfully re-tender for these contracts as they expire could adversely affect our revenues and results of operations in the future.

We may become subject to additional regulation by Monitor (the health sector regulator in the UK and since 1 April 2016, part of NHS Improvement) which could restrict our future growth through acquisitions because of our high-level indebtedness, result in additional regulatory oversight, increase our costs and limit our ability to grow.

The Health and Social Care Act 2012 sets out Monitor’s core responsibilities as the sector regulator of NHS-funded health care services in England and tasks Monitor with promoting the provision of health care services that are economic, efficient and effective. The legislation provides that all NHS providers of health care services must hold an NHS provider licence issued by Monitor, unless they are exempt.

On 1 April 2014, the National Health Service (Licence Exemptions, etc.) Regulations 2013 came into force and the regulations set out exemptions to the requirement for a provider of NHS services to hold a licence with Monitor. Regulation 5 exempts persons providing “primary dental services” commissioned by (or under delegated authority from) NHS England in accordance with Part 5 of the NHS Act 2006 as NHS England is already well-placed to enforce standards equivalent to those included in Monitor’s standard licence conditions. This means that where a legal entity is providing primary dental services under Part 5 of the NHS Act 2006 (i.e. pursuant to a GDS Contract or a PDS Contract) there is no requirement for that legal entity to hold a licence. However, if the legal entity provides other NHS services, it will require a licence unless it qualifies for another exemption. For example, Regulation 8 exempts providers whose revenue from supplying NHS services is less than £10 million in a relevant business year from the requirement to hold a licence.

The legal entity providing the NHS services is the entity that must be licensed. For example, where a provider is part of a wider corporate group, such provider will need to be licensed in its own right if it is the legal entity responsible for providing the services (rather than the parent company) and in the case of partnerships, each partnership which provides NHS services must be licensed unless an exemption applies. The licence sets out the conditions the licence-holder must meet in order to provide NHS-funded services and examples of standard conditions include obligations about pricing and anti-competitive behaviour. If any legal entity owned by us is regulated by Monitor, we could be subject to potentially significant costs of compliance and monitoring. In addition, based on Monitor’s oversight of other UK healthcare sectors, regulation by Monitor may entail financial and clinical health checks of our business, and Monitor may prohibit us from participating in new contracts, transferring contracts or acquiring new dental practices because of our high level of indebtedness. If these or other circumstances were to materialise, they could materially and adversely affect our business, financial condition and results of operations.

Risks related to our indebtedness and the Notes

The Issuer has no revenue-generating operations of its own and no assets other than the obligations under the Proceeds Loans, and the Issuer is completely dependent on payments under the Proceeds Loans to service its debt, including its obligations under the Notes.

The Issuer is a public limited company incorporated under the laws of England and Wales for the purpose of issuing the Notes with no operations or assets (other than the Proceeds Loans) of its own. The Issuer’s cash flow and ability to service its debt, including the Notes, will depend entirely on the ability of BidCo, the obligor under the Proceeds Loans, to make payments on the

Proceeds Loans. BidCo will not be obligated to make any other payments or capital contribution to the Issuer other than those required under the Proceeds Loans. BidCo is a holding company with no revenue-generating business operations and its only significant asset is the equity interests it holds in its subsidiaries. BidCo will be dependent on the cash flows from its subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Proceeds Loans and its Guarantees and, therefore, the ability of BidCo to make payments under the Proceeds Loans, and the ability of the Issuer to make payments under the Notes, will depend primarily on the operating performance and financial condition of our operating subsidiaries. The operating performance and financial condition of our operating subsidiaries and the ability of such subsidiaries to provide funds to BidCo by way of dividends or otherwise will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond the Issuer's and BidCo's control. The subsidiaries of BidCo may not generate income and cash flow sufficient to enable BidCo to meet its payment obligations on the Proceeds Loans.

Various regulations and current or future agreements in respect of our subsidiaries may restrict, and in some cases prohibit, the ability of our subsidiaries to distribute cash to BidCo. Applicable laws and regulations, including local corporate laws, tax laws, foreign exchange controls and regulatory capital requirements, may also limit the amounts that the subsidiaries of BidCo are permitted to pay as dividends or distributions to BidCo. Any restrictions on distributions by such subsidiaries could adversely affect the ability of BidCo to make payments on the Proceeds Loans and, consequently, on the ability of the Issuer to make payments on the Notes. In addition, financial assistance restrictions may prevent upstream loans from being made to BidCo by its subsidiaries to enable BidCo to service its obligations under the Proceeds Loans and the Issuer to service its obligations under the Notes. Although the Indenture limits the ability of our subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to BidCo, there are significant qualifications and exceptions to these limitations.

Goodwill impairment and other non-cash charges in our consolidated income statement, as well as charges recognised directly in equity, such as actuarial losses, foreign exchange rate adjustments and losses on hedges, if incurred, could potentially reduce our subsidiaries' reserves available for distribution and thus reduce or prevent upstream dividend payments to allow BidCo to service debts.

Our substantial indebtedness could have a material adverse effect on our financial health and could prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

We continue to have a significant amount of outstanding debt with substantial debt service obligations. As at 31 March 2016, on an as adjusted basis after giving effect to the Offering and the application of the proceeds therefrom, we would have had an aggregate principal amount of third-party financial debt of £555.0 million outstanding excluding accrued interest and unamortised debt issuance costs. We would also have had a further £100.0 million available for borrowing under the New Revolving Credit Facility. See "Capitalisation" and "Management's discussion and analysis of financial condition and results of operations."

Our significant leverage could have important consequences for our business and operations and for you as a holder of the Notes, which may include, but may not be limited to:

- subjecting us to additional regulation or oversight or limiting our ability to acquire or transfer NHS dentistry contracts;
- making it more difficult for us to satisfy our payment obligations with respect to the Notes, the Revolving Credit Facility and our other debts, liabilities and obligations;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments for the service of our debt, thus reducing the availability of our cash flow to fund investments in our business and for other general corporate purposes;
- limiting the availability of funds for our working capital, capital expenditures, investments, acquisitions and our other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, patient demand, competitive pressures and the patients we serve;
- placing us at a competitive disadvantage compared to any of our competitors that have lower leverage or greater financial resources than we have;
- increasing our vulnerability to general and industry-specific adverse economic conditions;
- negatively impacting credit terms with our creditors; and
- limiting our ability to borrow additional funds and subject us to financial and other restrictive covenants.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including our obligations in respect of the Notes and Guarantees.

Despite our current level of debt, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes and impair our ability to operate our businesses.

We and our subsidiaries may be able to incur substantial additional debt in the future. Although the New Revolving Credit Facility Agreement and the Indenture contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of debt that could be incurred in compliance with these restrictions could be substantial and we may be able to secure such additional debt with Collateral or other assets. Under the Indenture, in addition to specified permitted indebtedness, we are able to incur additional indebtedness so long as, at the time of the incurrence, on a pro forma basis, our fixed charge coverage ratio (as defined in the Indenture) is at least 2.00 to 1.00, and in the event such indebtedness is senior secured indebtedness, our consolidated senior secured leverage ratio (as defined in the Indenture, which, amongst other things, exclude certain specified permitted indebtedness from the calculation of such ratio) is less than 4.75 to 1.00 prior to 31 December 2017 and less than 4.50 to 1.00 thereafter. Under the terms of the Indenture, we are permitted to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the Indenture. Moreover, some of the debt we may incur in the future could be structurally senior to the Notes and may be secured by collateral that does not secure the Notes. In addition, the Indenture and our New Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those agreements. The incurrence of additional debt would increase the leverage-related risks described in this offering memorandum.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make principal or interest payments when due on our indebtedness, including amounts drawn under the New Revolving Credit Facility Agreement and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and ability to generate cash which, to a certain extent, is subject to regulatory general economic, financial, competitive, legislative, legal and other factors, as well as other factors discussed in

these “Risk factors,” many of which are beyond our control. In addition, upon the maturity of the Revolving Credit Facility, or any replacement credit facility, the Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to, amongst other things:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of our debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished on a timely basis, on satisfactory terms or at all. In addition, the terms of our existing and future debt, including those terms contained in the Indenture and the New Revolving Credit Facility Agreement, may limit our ability to pursue any of these alternatives.

If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including under the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all our debts, including the Notes.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. For a discussion of our cash flows and liquidity, see “Management’s discussion and analysis of financial condition and results of operation—Liquidity and capital resources.”

The Senior Secured Floating Rate Notes, drawings under the New Revolving Credit Facility Agreement bear, and any future variable interest rate debt we incur will bear, interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

The Senior Secured Floating Rate Notes and drawings under the New Revolving Credit Facility Agreement bear interest at floating rates of interest per annum equal to GBP LIBOR, as adjusted periodically, plus a spread. The New Revolving Credit Facility Agreement also allows for drawings to be made in euros which will bear interest at floating rates of interest per annum equal to EURIBOR, as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Accordingly, we expect to hedge the variable interest rate exposure under the Senior Secured Floating Rate Notes by rolling the interest rate swaps for our Existing Floating Rate Notes into new swaps for the Senior Secured Floating Rate Notes. However, there can be no assurance that hedging will be available on commercially reasonable terms or at all, or that we will enter into any interest rate hedging. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

The manner of calculating GBP LIBOR and EURIBOR is under review by European regulators and others. There can be no assurance that GBP LIBOR and EURIBOR will continue to be calculated as they have been historically, if at all.

We are subject to restrictive covenants which limit our operating and financial flexibility.

Our New Revolving Credit Facility Agreement and each of the Indenture and the indenture governing the Second Lien Notes contain covenants which impose significant restrictions on the way we operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- in the case of the indenture governing the Second Lien Notes, layer debt of the Issuer and the guarantors of the Second Lien Notes;
- make certain payments, including dividends or other distributions;
- make certain investments or undertake acquisitions, including participating in joint ventures and undertaking capital expenditure;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- agree to limitations on the ability of our subsidiaries to make distributions;
- sell assets, or consolidate or merge with or into other companies;
- sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis;
- complete a change of control;
- issue or sell share capital of certain subsidiaries; and
- create or incur certain liens.

Any future indebtedness may include similar or other restrictive terms. These restrictions could materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities or consummate transactions that may be in our best interests. See "Description of other indebtedness" and "Description of the Notes—Certain covenants."

In addition, the New Revolving Credit Facility Agreement requires us, subject to the Revolving Credit Facility being drawn in cash by more than 35% to maintain a specified maximum ratio of drawn super senior debt to EBITDA before exceptional items, tested quarterly. Our ability to meet that financial ratio can be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. A breach of any of those covenants, ratio or restrictions could result in an event of default under the New Revolving Credit Facility Agreement. Upon the occurrence of any event of default under the New Revolving Credit Facility Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the New Revolving Credit Facility Agreement and elect to declare all amounts outstanding under the New Revolving Credit Facility, together with accrued interest, immediately due and payable.

In addition, a default under the New Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including under the Indenture and the indenture governing the Second Lien Notes. If our creditors, including the creditors under the New Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay those amounts in full, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us

to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed to enforce the security interest in any Collateral granted to them to secure repayment of those amounts.

These covenants could affect our ability to operate our business and may limit our ability to react to market conditions or regulatory developments or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations; pursue acquisitions, investments or alliances; restructure our organisation; or finance our capital needs.

The Notes are structurally subordinated to the liabilities of non-Guarantor subsidiaries.

Some, but not all, of the Issuer's subsidiaries will guarantee the Notes. See "Description of the Notes—Senior Secured Notes Guarantees." Unless a subsidiary is a Guarantor, such subsidiary will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor.

Accordingly, in the event that any non-Guarantor subsidiary becomes insolvent, is liquidated, reorganised or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary; and
- creditors of such non-Guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-Guarantor subsidiaries.

Subsidiaries that will be Guarantors accounted for 86.1% of our gross assets (calculated on an unconsolidated basis excluding goodwill and intra-group items), 84.5% of our EBITDA before exceptional items and 93.4% of our consolidated revenue, calculated as at and for the twelve months ended 31 March 2016. As at 31 March 2016, pro forma for the Offering and the application of proceeds therefrom, our non-Guarantor subsidiaries would have had no third-party financial indebtedness. Any of the debt that our non-Guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the Guarantees.

We may not be able to purchase the Notes upon a change of control.

The Indenture will contain provisions relating to certain events constituting a change of our control. If a change of control (as defined in the Indenture) occurs, we will be required to make an offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest, liquidated damages and additional amounts in respect of taxes, if any, up to the repurchase date. If a change of control occurs, we cannot assure you that we will have sufficient funds to pay the purchase price for any Notes. A change of control would also trigger a mandatory prepayment of all amounts outstanding under, and a permanent cancellation of, the New Revolving Credit Facility. A change of control could trigger mandatory prepayment or an event of default under other indebtedness, including indebtedness that we may incur in the future. The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by

subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

Certain important corporate events that might adversely affect the value of the Notes (including certain reorganisations, restructurings, recapitalisations and mergers) would not constitute a change of control under the Indenture. For a complete description of the events that would constitute a change of control under the Notes, see “Description of the Notes—Repurchase at the option of Holders—Change of control.” Furthermore, the occurrence of certain events that might otherwise constitute a change of control under the Indenture will not be deemed to be a change of control if at the time our consolidated leverage ratio is less than certain specified levels. See “Description of the Notes—Certain definitions—Specified Change of Control Events.”

The term “all or substantially all” in the context of a change of control has no clearly established meaning under the relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, we will be required to offer to repurchase all outstanding Notes. One of the ways a change of control can occur is upon a sale of all or substantially all our assets. With respect to the sale of assets referred to in the definition of “change of control” in the Indenture, the meaning of the phrase “all or substantially all” as used in that definition varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under the relevant law and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of “all or substantially all” of the assets of a person and therefore it may be unclear whether a change of control has occurred.

Certain covenants may fall away upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date thereof, the Notes receive a rating of Baa3 or better by Moody’s and a rating of BBB- or better by S&P and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time, if any, at which such Notes cease to have such ratings, certain covenants will cease to be applicable to such Notes. See “Description of the Notes—Certain covenants—Suspension of certain covenants when Senior Secured Notes rated investment grade.”

If these covenants were to cease to be applicable, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment-grade rating or that any such rating will be maintained.

The value of the assets securing the Notes and the Guarantees may not be sufficient to satisfy our obligations under the Notes or the Guarantees.

The Notes and the Guarantees will be secured on a first-priority basis by security interests in the Collateral described in this offering memorandum, which Collateral will also secure the obligations under the New Revolving Credit Facility, certain priority hedging obligations and the Second Lien Notes (on a second priority basis). If the lenders under the New Revolving Credit Facility Agreement consent to an increase under the New Revolving Credit Facility, subject to the limitations under the Indenture, the amount that will benefit from first-ranking security interests in the Collateral may be increased. The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, amongst others, the ability to sell the Collateral in an orderly sale, general economic conditions and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realisable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral or, if such a market exists, that there will not be a substantial delay in our liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral is located entirely outside the United States, which may limit the realisable value of the Collateral for investors in the United States. For example, the bankruptcy, insolvency, administration and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

The security over the Collateral will not be granted directly to the holders of the Notes.

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes, but will be granted only in favour of the Security Agent. The Trustee for each of the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes will enter into the Intercreditor Agreement with among others, the Security Agent and representatives of the other indebtedness secured by the Collateral, including the New Revolving Credit Facility and counterparties to certain hedging obligations. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement will govern the enforcement of the Security Documents, the sharing in any recoveries from such enforcement and the release of the Collateral by the Security Agent. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent, who will follow instructions as set forth under the caption "Description of other indebtedness—Intercreditor Agreement." In addition, in certain circumstances, lenders under the New Revolving Credit Facility will have the right to direct the Security Agent in enforcement actions with respect to the Collateral.

The Issuer and the Guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Indenture and the Security Documents will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, and collect, invest and dispose of any income from the Collateral. So long as no event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, amongst other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to such Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of debt.

The Guarantees and the liens over the Collateral securing the Notes could be released in certain circumstances without the consent of the holders of the Notes.

Under various circumstances, the Guarantees and the Collateral securing the Notes will be released automatically. The Indenture and the Intercreditor Agreement will provide that the Security Agent is authorized to release the liens over the Collateral and, in the case of the Collateral consisting of shares in the capital of the Issuer or a Guarantor, the Guarantee provided by the relevant Guarantor, in certain circumstances, including:

- in connection with the disposal of an asset, where such disposal is permitted under the Indenture;

- in connection with the enforcement of the Collateral or otherwise as permitted in accordance with the Intercreditor Agreement;
- upon the release of a Guarantor from its Guarantee, Collateral consisting of assets of such Guarantor; and
- upon the designation of such Guarantor as an unrestricted subsidiary.

If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all the liens on the Collateral owned by such subsidiary and any Guarantee by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries.

The incurrence of permitted debt in the future may create or restart hardening periods, i.e. the periods of time following the granting of security interests during which such security interests may be challenged in accordance with the laws applicable in England, Wales and Scotland.

The granting of shared security interests to secure future indebtedness permitted to be secured by the Collateral may restart or reopen such hardening periods as the Indenture permits the release and retaking of security granted in favour of the Notes in certain circumstances, including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or perfected were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and it may not be possible to enforce such security interest. The same rights also apply following the issue of the Notes in connection with the accession of subsidiaries as additional Guarantors and the granting of security interests over their respective assets and equity interests for the benefit of holders of the Notes. See "Description of the Notes—Security."

Creditors under the New Revolving Credit Facility Agreement, certain hedging obligations and certain other indebtedness are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

The Notes and the Guarantees will be secured on a first-ranking basis by the same Collateral securing the obligations under the New Revolving Credit Facility Agreement and certain priority hedging liabilities in connection therewith. The Collateral also secures our obligations under the Second Lien Notes on a second priority basis. In addition, under the terms of the Indenture and the Intercreditor Agreement, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* basis with the Notes and, to a lesser extent, on a super-priority basis, including the New Revolving Credit Facility, certain incremental indebtedness, interest and currency hedging liabilities in respect of indebtedness.

In the event of enforcement of the Collateral securing the Notes, pursuant to the Intercreditor Agreement, creditors under the New Revolving Credit Facility Agreement, any credit facility that refinances or replaces the New Revolving Credit Facility and certain hedging liabilities and other super-priority creditors will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes. As such, in the event of a foreclosure of the Collateral, holders of the Notes may not be able to recover on the Collateral if the then-outstanding claims by creditors of super-priority obligations are greater than the proceeds realised. Any proceeds from an enforcement sale of the Collateral will, after all super priority obligations have been discharged from such recoveries, be applied pro rata in repayment of the Notes and any other obligations secured by the Collateral that are permitted to rank *pari passu* and are secured on a *pari passu* basis with the Notes. As a result, proceeds from the sale of Collateral in connection with any enforcement action may be insufficient to pay claims under

the Notes. In addition, claims of our secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes.

The rights of the holders of the Notes to take enforcement action, including with respect to the liens securing the Notes, are limited.

The Indenture and the Intercreditor Agreement will contain provisions restricting the rights of holders of the Notes to take enforcement action with respect to the liens securing such Notes in certain circumstances. The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent for the lenders under the New Revolving Credit Facility Agreement, certain priority hedging obligations, the Notes and any additional debt secured by the Collateral permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement will regulate the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined under "Description of other indebtedness—Intercreditor Agreement—Enforcement Instructions") that consists of (i) creditors holding more than 66⅔% of the indebtedness and commitments under the New Revolving Credit Facility and certain priority hedging obligations (the "Majority Super Senior Creditors") or (ii) creditors holding more than 50% of the indebtedness under the Notes certain senior hedging obligations and indebtedness ranking *pari passu* with the Notes (the "Majority Senior Secured Creditors") (in each case acting through their respective creditor representative, the "Creditor Representatives"), unless an insolvency event occurs in which case the instructions of the Majority Super Senior Creditors will prevail. However, if the Security Agent has received conflicting enforcement instructions from the Creditor Representatives then, provided that the instructions from the Notes/*Pari Passu* Required Holders (as defined below) (to the extent given) comply with certain initial consultation requirements and the Security Enforcement Principles (as defined below), the Security Agent will comply with the instructions from the Notes/*Pari Passu* Required Holders, provided that if the Super Senior Liabilities (as defined below) have not been fully discharged within six months, or no steps have been taken in relation to the commencement of enforcement of the Transaction Security (as defined below) within three months, in each case, of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of holders of Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The lenders under the New Revolving Credit Facility Agreement and the creditors in respect of certain priority hedging obligations may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of the Issuer or any of its holding companies or subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets of such entities securing the Notes and the Guarantees may be released. In certain circumstances the holders of the Second Lien Notes will be permitted to take enforcement action in respect of the Collateral if other creditors do not initiate enforcement.

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer and the senior

guarantors in the event of a default. See “Description of other indebtedness—Intercreditor Agreement.”

English and Scottish insolvency laws may not be as favourable to you as US and other insolvency laws, and insolvency laws and limitations on the Guarantees or the security interests in respect of the Notes may adversely affect the validity and enforceability of the Guarantees and the security interests and may limit the amount that can be recovered under the Guarantees and the security interests granted by the Parent Guarantor and its subsidiaries.

We and all of our material subsidiaries are incorporated under the laws of England and Wales or Scotland. Accordingly, insolvency proceedings with respect to us would be likely to proceed under, and be governed by, English and Scottish insolvency law. English and Scottish insolvency law may not be as favourable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Parent Guarantor or any subsidiary of the Parent Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Our obligations under the Notes will be guaranteed by the Guarantors, and our obligations under the Notes will be secured by security interests over the Collateral. English and Scottish insolvency laws and other limitations could limit the enforceability of a Guarantee against a Guarantor and the enforceability of security interests. The following is a brief description of certain aspects of English and Scottish insolvency laws and certain limitations on the Guarantees or the security interests in respect of the Notes. The application of these laws could adversely affect your ability to enforce your rights under the Guarantees of the Notes or the Collateral securing the Notes and limit any amounts that you may receive.

Fixed versus floating charges

There are a number of ways in which fixed charge security has an advantage over floating charge security: (i) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the business of the charging company) whilst in administration in priority to the claims of the floating charge holder; (ii) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge on the charged assets; (iii) general costs and expenses (including the remuneration of the liquidator) properly incurred in a winding-up are payable out of the assets of the charging company (including the assets the subject of the floating charge) in priority to floating charge claims; (iv) until the floating charge security crystallises or, in the case of Scots law, an administrator is appointed, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (v) there are particular challenge risks in relation to floating charge security (see “—Challenges to Guarantees and security interests” and “—Grant of floating charge” below); and (vi) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing (see “—Administration and floating charges” below).

Under English insolvency law, there is a possibility that a court could find that the fixed security interests expressed to be created by a Security Document could take effect as floating charges as the description given to them as fixed charges is not determinative. Whether fixed security interests will be upheld as fixed rather than floating security interests will depend, amongst other things, on whether the chargee has the requisite degree of control over the ability of the relevant chargor to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security

interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Under Scots law, the concept of fixed charges taking effect as floating charges is not applicable, and accordingly there is no equivalent risk of recharacterisation in relation to fixed security interests under Scots law.

Administration and floating charges

The relevant UK insolvency statutes empower English courts or, in relation to a floating charge granted by a Scottish company, the Scottish courts to make an administration order in respect of an English or, as applicable, Scottish company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge, and different procedures apply according to the identity of the appointor.

During the administration, in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with leave of the court or the consent of the administrator. Certain creditors of a company in administration may be able to realise their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the non-application of the moratorium in relation to a "security financial collateral agreement" (generally, cash or financial instruments, such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003 in the United Kingdom. If an English or, as applicable, Scottish company were to enter administration, it is possible that the security or the guarantee granted by it may not be enforced whilst it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already-appointed must resign if requested to do so by the administrator. If the company is already in administration no other receiver may be appointed.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English or Scottish obligor must constitute a "qualifying floating charge" for purposes of UK insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the Security Document predates 15 September, 2003, fall within one of the exceptions in the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers in the United Kingdom. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (i) states that the relevant statutory provision applies to it; (ii) purports to empower the holder to appoint an administrator of the company; or (iii) purports to empower the holder to appoint an administrative receiver. The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the UK Insolvency Act 1986, as amended), which will apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the UK Insolvency Act 1986, as amended, but is generally a rated, listed or traded debt instrument). An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realisations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the

whole of the relevant English or, as applicable, Scottish company's assets at the time that the floating charges are enforced will be a question of fact at that time.

In addition, if we are in administration, NHS England would have the right to cancel our NHS dentistry contracts, potentially rendering our other assets that secure the Notes less valuable.

Challenges to Guarantees and security interests

There are circumstances under English and Scottish insolvency law in which the granting by an English or, as applicable, Scottish company of security and guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English or, as applicable, Scottish company the administrator or liquidator may challenge the validity of the security or guarantee given by such company.

The following potential grounds for challenge may apply to charges and guarantees:

Transaction at an undervalue—England and Wales

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the English company is insolvent (as defined in the UK Insolvency Act 1986, as amended). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee.

A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. A court, however, generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the UK Insolvency Act 1986, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference—England and Wales

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or as a result of the transaction the English company is insolvent. The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent

liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes and the guarantees (although there is protection for a third party who enters into a transaction in good faith and without notice). For the court to determine a preference, however, it must be shown that the English company was influenced by a desire to produce the preferential effect.

In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Transaction defrauding creditors—England and Wales

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a “victim” of the transaction and is not therefore limited to liquidators or administrators. There is no time limit in the English insolvency law within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

Grant of floating charge

Under UK insolvency law, if an English or, as applicable, a Scottish company is insolvent at the time of (or as a result of) granting the floating charge then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English or, as applicable, Scottish company, at the same time as or after the creation of the floating charge. The requirement for the English or, as applicable, Scottish company, to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English or, as applicable, Scottish company, at the same time as or after the creation of the floating charge, whether the relevant English or, as applicable, Scottish company, is solvent or insolvent. The transaction can be challenged if the relevant English or, as applicable, Scottish company, enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English or, as applicable, Scottish company grants the floating charge.

Gratuitous Alienations—Scotland

At Scots common law, a gratuitous alienation arises irrespective of intention to defraud, where it can be shown that (i) the party making the alienation is insolvent at the time of the challenge and was either insolvent at the time of the alienation or was made insolvent by it; (ii) the alienation was made without onerous consideration; and (iii) the alienation was to the

prejudice of the challenging creditor. There is no time limit within which the challenge must be made and the relevant party does not need to be subject to insolvency proceedings at the time of the transaction. If successful, the court will reduce the transaction; however, the burden of proof on the challenger is often difficult to overcome.

Under the UK Insolvency Act 1986, an alienation arises when any part of a company's property is transferred or any claim or right of the company is discharged or renounced. If the alienation takes place on a Relevant Day (as defined below) it can be challenged: (i) if the winding up of the company has commenced, by any creditor who is a creditor by virtue of a debt incurred on or before the date of such commencement, or by the liquidator; or (ii) in the case of an administration, by the administrator. If the challenge is successful, the court will reduce the transaction or grant a decree for restoration of property or other redress as may be appropriate. In this context, Relevant Day means, if the alienation has the effect of favouring an "associate" (within the meaning of the Bankruptcy (Scotland) Act 1985) of the company, a day not earlier than five years prior to the date of commencement of the winding up or administration, or for any other person, a day not earlier than two years before such date. The court will not grant a decree in respect of an alienation if the person seeking to uphold the alienation establishes that immediately, or at any other time, after the alienation the company's assets were greater than its liabilities or that the alienation was made for adequate consideration.

Preferences—Scotland

At Scots common law, a fraudulent preference is a voluntary transaction by which, after the insolvency of a debtor and when the debtor is aware of its insolvency, a creditor obtains a preference over other creditors. There is no time limit within which a challenge must be made and the relevant party does not need to be subject to insolvency proceedings at the time of the transaction. If successful the court will reduce the transaction however the burden of proof on the challenger is often difficult to overcome. The following cannot be challenged as fraudulent preferences: (i) involuntary transactions; (ii) payments in cash of a debt actually due; (iii) transactions in the ordinary course of business where there is no collusion between the debtor and the creditor; and (iv) nova debita (i.e. where the preference is granted for some fair and present consideration).

Under the UK Insolvency Act 1986, an unfair preference arises when a company enters into a transaction which has the effect of creating a preference in favour of a creditor to the prejudice of the general body of creditors within the six months before the commencement of the winding up of the company or administration. In this context, the day on which a preference is created is the day on which the preference becomes "completely effectual." An unfair preference is challengeable (a) in the case of a winding up of the company, by any creditor who is a creditor by virtue of a debt incurred on or before the date of the commencement of the winding up or by the liquidator or (b) in the case of an administration, by the administrator.

If the challenge is successful, the court will reduce the transaction or grant a decree for such restoration of property to the company's assets or other redress as may be appropriate. The following cannot be challenged as unfair preferences: (i) a transaction in the ordinary course of trade or business; (ii) a payment in cash of a debt which when it was paid had become payable, unless the transaction was collusive with the purpose of prejudicing the general body of creditors; and (iii) a transaction whereby the parties to it undertake reciprocal obligations, unless the transaction was collusive with the purpose of prejudicing the general body of creditors.

You may be unable to serve process on us or our directors and officers in the United States and enforce US judgments based on the Notes.

The Issuer is a public limited company incorporated under the laws of England and Wales and the Parent Guarantor is a private company incorporated under the laws of England and Wales. All the directors and executive officers of the Issuer and the Parent Guarantor live outside the United States. Substantially all the assets of the directors and executive officers of the Issuer and the Parent Guarantor are located outside the United States. As a result, it may not be possible for you to serve process on such persons or the Issuer or the Parent Guarantor in the United States or to enforce judgments obtained in US courts against them or the Issuer or the Parent Guarantor based on civil liability provisions of the securities laws of the United States.

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be recognised or enforceable in the United Kingdom. In order to enforce any such US judgment in the United Kingdom, proceedings must first be initiated before a court of competent jurisdiction in England or, as appropriate, Scotland. In such an action, the English or, as applicable, Scottish court would not generally reinvestigate the merits of the original matter decided by the US court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defence to it). Recognition and enforcement of a US judgment by an English or, as applicable, Scottish court in such an action is conditional upon (amongst other things) the following:

- the US court having had jurisdiction over the original proceedings according to English or, as applicable, Scottish conflicts of laws principles;
- the US judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the US judgment not contravening English or, as applicable, Scottish public policy;
- the US judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- the US judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of section 5 of the Protection of Trading Interests Act 1980;
- the US judgment not having been obtained by fraud or in breach of English or, as applicable, Scottish principles of natural justice;
- there not having been a prior inconsistent decision of an English or, as applicable, Scottish court between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the US judgment—there is no similar restriction in Scotland provided the US judgement remains enforceable.

Only subject to the foregoing may investors be able to enforce in England or, as applicable, Scotland judgments in civil and commercial matters that have been obtained from US federal or state courts. Notwithstanding this, we cannot assure you that those judgments will be recognised or enforceable in England or Scotland. In addition, we cannot assure you whether an English or, as applicable, Scottish court would accept jurisdiction and impose civil liability if the

original action was commenced in England or Scotland, instead of the United States, and predicated solely upon US federal securities laws.

Certain financial information in this offering memorandum has not been prepared in accordance with IFRS.

Our 2016 Audited IFRS Financial Statements have been prepared in accordance with IFRS and our Audited GAAP Financial Statements have been prepared in accordance with UK GAAP. There are significant differences between UK GAAP and IFRS. For this reason, the Audited GAAP Financial Statements and the information extracted or derived therefrom are not directly comparable to the 2016 Audited IFRS Financial Statements or the information extracted or derived therefrom. The 2016 Audited IFRS Financial Statements restate our financial condition and results of operations for the twelve months ended 31 March 2015 from UK GAAP to IFRS. However, no such restatement is available for our financial statements for the twelve months ended 31 March 2014, which are based on UK GAAP, and we cannot estimate the net effect that applying IFRS would have had on our results of operations or our financial position for the twelve months ended 31 March 2014. The effect of such differences might be material, and, in particular, gross profit and profit/(loss) for the year prepared in accordance with IFRS may be materially different.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in pounds sterling. If investors measure their investment returns by reference to a currency other than pounds sterling, an investment in the Notes will entail foreign exchange-related risks due to, amongst other factors, possible significant changes in the value of the pounds sterling relative to the currency by reference to which you measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. Weakening of the pound against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to such investors when the return on the Notes is translated into the currency by reference to which they measure the return on their investments. Investments in the Notes denominated in a currency other than US dollars by U.S. Holders (as defined in "Tax Considerations—Certain United States federal income tax considerations") may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "Tax Considerations—Certain United States federal income tax considerations."

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgement, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

We may not be able to list the Notes or maintain the listing of the Notes.

Application has been made to The Channel Islands Securities Exchange Authority Limited (the "Exchange") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the

Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, from the Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market and may give rise to withholding tax concerns (in the event the Notes are not listed on a "recognised stock exchange" within the meaning of Section 1005 Income Tax Act 2007).

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes are issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and Notes in definitive registered form ("definitive registered Notes") will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream and if investors are not participants in Euroclear and Clearstream they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "Book-entry, delivery and form."

The transfer of the Notes is restricted, which may affect the value of the Notes.

The Notes and the Guarantees have not been, and will not be, registered under the US Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or any other jurisdiction. See "Transfer restrictions." It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

Investors in the Notes may have limited recourse against the independent auditors.

In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, the independent auditor's reports of PricewaterhouseCoopers LLP state that: they have been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and for no other purpose; and the auditors do not 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 their prior consent in writing. The independent auditor's reports are included elsewhere in this offering memorandum.

Investors in the Notes should understand that in making these statements, the independent auditor confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to us and our members as a body with respect to the report and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the US Securities Act or in a report filed under the US Exchange Act. If a US court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited.

Use of proceeds

We estimate that gross proceeds from the sale of the Notes will be £425.0 million. We intend to use the proceeds of the Offering, together with cash on hand and the proceeds from the Private Placement, to: (i) fund the Existing Notes Redemption; (ii) repay all amounts outstanding under the Existing Revolving Credit Facility Agreement; and (iii) pay the fees and expenses incurred in connection with the Refinancing, including fees and expenses incurred in connection with the Offering.

The following table sets out our expected estimated sources and uses of the proceeds from the Offering and the Private Placement. Actual amounts will vary from estimated amounts depending on several factors, including differences from the estimate of fees and expenses and outstanding amounts upon repayment.

Sources of Funds	(£ in millions)	Uses of Funds	(£ in millions)
Notes offered hereby	425.0	Repayment of Existing Notes ⁽¹⁾ . . .	500.0
Second Lien Notes	130.0	Repayment of amounts outstanding under the Existing Revolving Credit Facility Agreement ⁽²⁾	39.0
Cash on hand	8.5	Redemption costs ⁽³⁾	6.2
		Accrued and unpaid interest ⁽⁴⁾ . . .	2.9
		Estimated fees and expenses ⁽⁵⁾ . . .	15.4
Total	563.5	Total	563.5

- (1) The amount shown represents the principal amount outstanding under the Existing Notes and does not include accrued interest to the redemption date.
- (2) The amount shown represents the principal amount outstanding under the Existing Revolving Credit Facility as at 18 July 2016 and does not include accrued interest to the Issue Date.
- (3) Represents estimated premium payable in connection with the Existing Notes Redemption.
- (4) Represents accrued and unpaid interest on the Existing Notes and the Existing Revolving Credit Facility to 31 March 2016, which has been or will be paid primarily out of cash on our balance sheet as at the Issue Date. Accrued interest in an amount of £8.9 million arising after 31 March 2016 will be paid primarily out of cash generated by operations since 31 March 2016.
- (5) Represents estimated fees and expenses associated with the Refinancing, including original issue discount on the Senior Secured Floating Rate Notes.

Capitalisation

The following table sets out, on a consolidated basis, our cash at bank and in hand and our capitalisation as at 31 March 2016, on an actual basis and as adjusted for the Refinancing. The table below should be read in conjunction with "Summary—Summary historical consolidated and pro forma combined consolidated financial information and other data," "Use of proceeds," "Selected historical consolidated financial information" and our financial statements and related notes included elsewhere in this offering memorandum.

(£ in millions)	As at 31 March 2016	
	Actual	As Adjusted
Cash at bank and in hand⁽¹⁾	14.9	6.4
Existing Revolving Credit Facility ⁽²⁾	39.0	—
Existing Notes ⁽³⁾	500.0	—
New Revolving Credit Facility ⁽⁴⁾	—	—
Notes offered hereby ⁽⁵⁾	—	425.0
Second Lien Notes ⁽⁶⁾	—	130.0
Total third party borrowings⁽⁷⁾	539.0	555.0
Shareholder equity⁽⁸⁾	276.1	276.1
Total capitalisation	815.1	831.1

- (1) As adjusted cash at bank and in hand reflects the use of cash as set forth in "Use of proceeds." As at 30 June 2016, we had £21.9 million of cash at bank and in hand.
- (2) Represents outstanding indebtedness under our Existing Revolving Credit Facility which will be repaid as part of the Refinancing.
- (3) Represents (i) the £200.0 million in aggregate principal amount of the Issuer's Existing Fixed Rate Notes, (ii) the £225.0 million in aggregate principal amount of the Issuer's Existing Floating Rate Notes and (iii) the £75.0 million in aggregate principal amount of the Issuer's Existing Second Lien Notes, all of which are expected to be redeemed as part of the Refinancing.
- (4) Represents the £100.0 million senior secured revolving credit facility established under the New Revolving Credit Facility Agreement. We expect the New Revolving Credit Facility to be undrawn as at the Issue Date. See "Description of other indebtedness—New Revolving Credit Facility Agreement."
- (5) Represents the aggregate principal amount of the Notes gross of capitalised issuance costs.
- (6) Represents the aggregate principal amount of the Second Lien Notes gross of capitalised issuance costs.
- (7) Excludes unamortised debt issuance costs in connection with the Offering, which are expected to be £15.4 million.
- (8) Represents the aggregate amount of share capital, share premium account, profit and loss reserve and minority interest of the Parent Guarantor as at 31 March 2016.

Selected historical consolidated financial information

The following tables present our summary financial information and should be read in conjunction with our audited financial statements, which are reproduced elsewhere in this offering memorandum. See “Presentation of financial information and other data” and “Management’s discussion and analysis of financial condition and results of operations.” Our audited consolidated financial statements as of and for the twelve months ended 31 March 2016 were prepared in accordance with IFRS and include comparative information for the twelve months ended 31 March 2015. Our audited consolidated financial statements as of and for the years ended 31 March 2014 and 2015 were prepared in accordance with UK GAAP. Our audited consolidated financial statements were audited by PricewaterhouseCoopers LLP. The information below is not necessarily indicative of the results of future operations.

This information is only a summary and should be read in conjunction with our financial statements and related notes, including note 37 to the 2016 Audited IFRS Financial Statements, and “Presentation of financial information and other data,” “Use of proceeds,” “Capitalisation” and “Management’s discussion and analysis of financial condition and results of operations” included elsewhere in this offering memorandum.

Consolidated statement of income in accordance with IFRS

(£ in millions)	Twelve months ended 31 March	
	2015(*) (unaudited)	2016
Revenue	534.2	565.9
Cost of sales	(294.9)	(307.5)
Gross profit	239.4	258.4
Distribution costs	(13.0)	(15.2)
Administrative expenses	(203.7)	(233.9)
Other income	1.8	1.9
Other gains	–	0.4
Operating profit	24.4	11.6
Finance costs	(40.0)	(38.7)
Finance income	0.1	1.1
Net finance costs	(39.9)	(37.5)
Loss before income tax	(15.5)	(25.9)
Income tax credit	2.9	7.8
Loss for the year	(12.6)	(18.1)
Attributable to:		
Owners of the parent	(12.6)	(18.0)
Non-controlling interests	(0.1)	(0.1)
	(12.6)	(18.1)

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Consolidated profit and loss account in accordance with UK GAAP

(£ in millions)	Twelve months ended 31 March	
	2014(**)	2015(**)
Turnover	407.5	534.2
Cost of sales	(210.8)	(294.9)
Gross profit	196.7	239.4
Other operating income	1.7	1.8
Administrative expenses	(179.8)	(223.9)
Operating profit	18.6	17.3
(Loss)/profit on disposal of assets	(0.4)	1.4
(Loss)/Profit on ordinary activities before interest and taxation	18.1	18.6
Interest receivable and similar income	0.1	0.1
Interest payable and similar charges	(54.3)	(38.6)
Loss on ordinary activities before taxation	(36.1)	(19.9)
Tax on loss on ordinary activities	2.0	(0.6)
Loss on ordinary activities after taxation	(34.1)	(20.5)
Equity minority interests	(0.1)	0.1
Loss for the financial period	(34.1)	(20.4)

(**) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

Consolidated balance sheet in accordance with IFRS

(£ in millions)	As at 31 March	
	2015(*) (unaudited)	2016
Non-current assets		
Goodwill	322.5	339.0
Other intangible assets	453.2	453.4
Property, plant and equipment	89.5	99.4
Other receivables	2.5	1.0
Deferred income tax assets	10.5	9.7
	878.1	902.4
Current assets		
Inventories	22.2	20.6
Trade and other receivables	42.0	49.5
Corporation tax	0.6	–
Derivative financial instruments	–	0.7
Cash and cash equivalents	29.1	14.9
	93.9	85.7
Assets classified as held for sale	2.0	0.4
Total assets	974.0	988.6
Equity attributable to the owners of the parent		
Share capital	411.0	411.0
Retained earnings	(116.9)	(134.9)
	294.0	276.1
Non-controlling interest	(0.1)	0.1
Total equity	293.9	276.1
Non-current liabilities		
Borrowings	520.8	531.9
Other payables	6.5	3.2
Deferred income tax liabilities	54.8	51.1
Defined benefit pension obligation	0.4	–
Provisions	7.4	7.6
Derivative financial instruments	3.1	2.0
	593.0	595.7
Current liabilities		
Trade and other payables	85.1	114.4
Corporation tax	–	0.4
Provisions	1.9	1.8
Derivative financial instruments	–	0.1
	87.0	116.7
Total liabilities	680.1	712.5
Total equity and liabilities	974.0	988.6

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Consolidated balance sheet in accordance with UK GAAP

(£ in millions)	As at 31 March	
	2014(**)	2015(**)
Intangible assets	614.8	675.0
Tangible assets	83.3	91.4
Fixed assets	698.1	766.4
Stocks	7.6	22.2
Debtors	44.9	53.7
Cash at bank and in hand	6.9	29.1
Current assets	59.4	105.1
Total assets	757.5	871.5
Called up share capital	411.0	411.0
Profit and loss account	(143.3)	(164.1)
Total shareholders' funds	267.7	246.9
Minority interest	–	(0.1)
Creditors: amounts falling due within one year	65.2	86.8
Creditors: amounts falling due after more than one year	414.4	528.3
Provisions for liabilities and charges	10.2	9.3
Defined benefit pension scheme liability	–	0.3
Non-current liabilities	424.6	537.9
Total equity and liabilities	757.5	871.5

(**) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

Consolidated statement of cash flows in accordance with IFRS

(£ in millions)	Twelve months ended 31 March	
	2015(*) (unaudited)	2016
Cash generated from operations	77.4	80.0
Income tax received/(paid)	(0.6)	0.6
Net cash inflow from operating activities	76.8	80.5
Acquisitions (net of cash acquired)	(113.3)	(42.9)
Contingent consideration paid	(0.7)	(0.9)
Purchase of property, plant and equipment	(25.9)	(26.9)
Purchase of freehold property held for sale	(0.2)	–
Proceeds from business and asset disposals	11.0	2.7
Interest received	0.1	0.1
Net cash outflow from investing activities	(129.1)	(67.9)
Drawdown of bank loans	105.0	8.5
Repayment of bank loans	(96.5)	–
Proceeds from issue of senior secured floating rate notes	101.3	–
Arrangement fees and associated professional costs	(1.7)	–
Bank and bond interest paid	(33.6)	(35.3)
Net cash inflow/(outflow) from financing activities	74.4	(26.8)
Net increase/(decrease) in cash and cash equivalents	22.2	(14.2)
Cash and cash equivalents at the start of the year	6.9	29.1
Cash and cash equivalents at the end of the year	29.1	14.9

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Consolidated cash flow statement in accordance with UK GAAP

(£ in millions)	Twelve months ended 31 March	
	2014(**)	2015(**)
Net cash inflow from operations	54.8	81.3
Returns on investments and servicing of finance	(41.4)	(35.2)
Net cash inflow after returns on investment and servicing of finance . .	13.3	46.1
Taxation.....	0.2	(0.6)
Capital expenditure	(23.5)	(15.1)
Acquisitions and disposals	(93.6)	(118.0)
Net cash outflow before financing.....	(103.5)	(87.6)
Financing.....	68.0	109.8
(Decrease)/increase in cash in the financial year	(35.5)	22.2

(**) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of financial condition and results of operations are based on the 2016 Audited IFRS Financial Statements, the 2015 Audited GAAP Financial Statements and the 2014 Audited GAAP Financial Statements which are all reproduced elsewhere in this offering memorandum. The 2016 Audited IFRS Financial Statements were prepared in accordance with IFRS and were audited by PricewaterhouseCoopers LLP. The Audited GAAP Financial Statements were prepared in accordance with UK GAAP and were audited by PricewaterhouseCoopers LLP.

Certain information in the discussion and analysis set out below and elsewhere in this offering memorandum includes forward-looking statements that involve risks and uncertainties. See "Forward-looking statements" and "Risk factors" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this offering memorandum. This discussion and analysis should also be read in conjunction with the financial statements described above and appearing elsewhere in this offering memorandum, including the notes thereto, the "Selected historical consolidated financial information" and "Summary—Summary historical consolidated and pro forma combined consolidated financial information and other data."

Overview

We are Europe's largest vertically-integrated dental business and the United Kingdom's number one dental practice chain, with a focus on delivering the best possible patient care, highest clinical standards and a comprehensive choice of treatments through our growing UK dental practice network. We operate our business through two divisions: patient services and practice services. We are the leading provider of dental services in the United Kingdom through our patient services division, with 598 NHS dentistry contracts across our network of 674 dental practices throughout England, Scotland, Wales and Northern Ireland. As at 31 March 2016, our patient services division had a market share of approximately 7% in terms of revenue and a market share of approximately 5% in terms of number of practices and held contracts for approximately 15% of all units of dental activity ("UDAs") commissioned in England and Wales. Our dental practices, operating under the "mydentist" brand, offer a broad range of primary care dental services, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. We are also a leading provider of private dentistry services in the United Kingdom, which has grown quickly as the UK economy has strengthened. We operate in the UK dental market, which benefits from stability in terms of volume and pricing and from favourable systemic trends, including continued government focus on improving access to dental services, favourable demographic trends and an increasing overall spend on dentistry. Through our practice services division, we are a leading supplier of dental and other medical consumables and materials and services (including installation and servicing of specialized dental equipment), selling dental supplies and services to at least 8,000 dental practices, including our patient services division's dental practices, with an estimated market share of 25% in the United Kingdom, by revenue. In the twelve months ended 31 March 2016, we recorded revenue of £565.9 million and generated estimated pro forma adjusted EBITDA of £87.2 million.

The table below provides a summary of certain key metrics for our business for the twelve months ended 31 March 2014, 2015 and 2016:

£ in millions (except percentages)	Twelve months ended 31 March		
	2014(*)	2015(**)	2016
		(unaudited)	
Patient services	400.6	442.2	472.7
Practice services	12.1	112.2	117.5
Consolidation adjustment	(5.2)	(20.2)	(24.3)
Revenue	407.5	534.2	565.9
Patient Services	192.2	212.7	226.2
Practice Services	6.6	31.8	35.8
Consolidation adjustment	(2.1)	(5.1)	(3.6)
Gross profit	196.7	239.4	258.4
Patient Services (before head office)	(103.8)	(120.0)	(130.7)
Practice Services	(4.7)	(22.8)	(24.6)
Head office	(24.1)	(25.2)	(25.7)
Consolidation adjustment	1.9	3.6	2.8
Overheads	(130.7)	(164.4)	(178.2)
Patient Services (before head office)	90.3	94.5	95.5
Practice Services	1.9	9.0	11.2
Head office	(24.1)	(25.2)	(25.7)
Consolidation adjustment	(0.3)	(1.5)	(0.8)
Group EBITDA	67.8	76.8	80.2
Patient Services GP%	48.0%	48.1%	47.9%
Practice Services GP%	54.2%	28.4%	30.5%
Group GP %	48.3%	44.8%	45.7%
Patient Services EBITDA (before head office)%	22.5%	21.4%	20.2%
Practice Services EBITDA %	15.7%	8.0%	9.6%
Group EBITDA margin %	16.6%	14.4%	14.2%

(*) The financial information as of and for the twelve months ended 31 March 2014 has been derived from the 2014 Audited GAAP Financial Statements, which were prepared in accordance with UK GAAP.

(**) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

Significant factors affecting results of operations

Patient services

Sourcing and acquisition of additional dental practices

Acquisitions of dental practices are the core driver of our growth. A limited number of new NHS dentistry contracts become available each year, so the primary method for growing our revenues is through acquiring dental practices holding existing NHS dentistry contracts. Since 11 May 2011, we have acquired 232 dental practices. We employ a disciplined acquisition strategy centred on the acquisition of practices with NHS dentistry contracts with three or more chairs.

Acquisition strategy

We buy practices to acquire their evergreen GDS Contracts, and focus on the acquired practices' historical UDA delivery rates, the retention of key personnel and complementary private revenue generation in such practices. Our acquisition strategy is impacted by the sourcing, availability and pricing of dental practices for purchase. In terms of sourcing, we have a large and experienced acquisition team which identifies potential acquisition opportunities on the

basis of our acquisition strategy, and have generated leads for approximately 80% of the acquisitions completed during the twelve months ended 31 March 2016 internally. We usually pay finders' or brokers' fees for those acquisition leads not developed internally.

Scope for additional consolidation

With 13,815 dental practices, the large majority of which are independent, the UK dental market is highly fragmented, and we believe there is scope for additional consolidation as dentists retire or sell their dental practices to become independent contractors with us, whether due to the administrative, regulatory and compliance burden of owning their own dental practice or otherwise. Within the large number of independent dental practices throughout the United Kingdom, we estimate that approximately 300 practices are available for acquisition in an average year, and the number of acquisitions we make depends on the quality and pricing of those practices that are available for purchase at a given time. In addition, our strategy of driving value and growing our business through acquisitions of suppliers of consumables, materials, equipment and services businesses, such as dbg, The Dental Directory, Med-FX, PDS Dental Laboratories Leeds and Dolby Medical has increased the addressable market for growth through acquisitions.

Valuation and accuracy

The price paid for a particular acquisition depends in part on the NHS dentistry contracted revenues as well as the private dentistry services revenues and the costs of the target dental practice, along with competition to acquire such practices, which may be intense. We price each acquisition on the basis of a multiple of the estimated EBITDA generated by our due diligence process. Our results of operations are therefore impacted by the accuracy of our due diligence, as well as by our success in integrating the dental practices we acquire into our group, and implementing our cost structure in such dental practices. On a portfolio basis, we believe the expected EBITDA projections resulting from our acquisition team's due diligence have been accurately reflected in post-acquisition results, and acquired practices have generally enjoyed EBITDA consistency before and after their acquisition by us. We believe our due diligence methodology produces accurate results and allows us to acquire dental practices at attractive multiples of EBITDA valuations as we know that the number of contracted UDAs, UDA delivery percentage and private revenue generation tend to maintain consistency, dentist costs are contracted, and we are able to apply our known cost base to the dental practices we acquire. The dental practices we acquired in the twelve months ended 31 March 2015 contributed £7.2 million of EBITDA before head office costs and exceptional items in the twelve months ended 31 March 2016 compared to our due diligence estimate of £9.1 million of EBITDA before head office costs and exceptional items. The majority of the shortfall related to three acquisitions, two of which were chains of dental practices that were in remote areas of the country and had difficulties recruiting dentists, and the third of which had a vendor depart on short notice after the acquisition. Management is currently addressing these issues by actively recruiting replacement dentists as well as seeking to implement a mentor programme in a number of sites of the two chains of dental practices, and by replacing the dentist in the third practice, and rebuilding the practice's patient list. The dental practices we acquired in the twelve months ended 31 March 2014 contributed £10.1 million of EBITDA before head office costs and exceptional items in the twelve months ended 31 March 2016 compared to our due diligence estimate of £10.5 million of EBITDA before head office costs and exceptional items. In the twelve months ended 31 March 2016, we experienced an increase in the multiples of EBITDA which selling dentists were accepting for the sale of their practices. The effect of such an increase in price can be that we acquire fewer practices, or pay more for the practices we do acquire.

Availability of dentists and other dental professionals

Without dentists, our dental practices cannot provide dental services or generate revenue from either NHS dentistry services or private dentistry services. It has historically proven difficult to attract dentists to work in certain regions of the United Kingdom, such as the southwest of England. This can impact our results in that we may not be able to deliver contracted UDAs in respect of NHS dentistry services in localities where we have NHS dentistry contracts if we are unable to source dentists in or to such localities. We have a central talent sourcing function and primarily attract dental graduates and dentists qualified in the United Kingdom. In the past, we have also addressed shortages of dentists (whether nationwide or local) by attracting dentists from overseas. Of our dentists, approximately half are British. We believe that we have benefited from the UK Government's increased investment in additional graduate training places and the training and retention of dental school graduates.

Sourcing and retention of hygienists and nurses also affect our results. Hygienists operate in conjunction with dentists, but following recent changes no longer require a referral from a dentist to provide a limited number of services and so are, to a certain extent, a source of revenue generation complementary to our dentists. Dentists are prohibited from providing dental services to patients without a nurse present, so the recruitment and retention of nurses also drive our results and operational efficiency. We constantly review our salary package and training initiatives for hygienists and nurses in order to improve sourcing and increase retention.

Industry-wide factors affecting UDA delivery rates

Our patient services division provides NHS dentistry services to patients under various types of framework NHS dentistry contracts. Under the current system, the value of these contracts is primarily based on volume, specifically UDAs.

We are paid the annual contract value for our NHS dentistry services in equal monthly instalments. This results in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying related costs. Any underperformance in terms of UDA delivery must be repaid, where requested, to the NHS after the contract year end, or repaid over subsequent contract years. We have never had to make a repayment of more than £2 million to the NHS in respect of any of our contracts.

In general, UDA values differ across the United Kingdom and amongst our dental practices. Management estimates that the average value of a UDA in England for our practices is currently approximately £26. The number of UDAs awarded for a particular treatment depends on the type of treatment provided. Dental treatments are split into four bands based on the type of treatment, the number of UDAs applicable to such treatment and the patient contribution in respect of such treatment. In the twelve months ended 31 March 2016, changes in UDA band mix reduced the number of band 3 treatments (for which a higher number of UDAs are awarded) that we have completed from 30.4% of all UDAs to 29.9%, thereby reducing the total number of UDAs that we have delivered by approximately 50,000.

Revenue generated by our patient services division is therefore affected by the number of UDAs that our dental practices complete in a contract year. These rates are impacted by various factors, including factors which affect the industry as a whole. For the five contract years ended 31 March 2015, our UDA delivery rates averaged 96.8%. Our UDA delivery rate for the contract year ending 31 March 2016 was 92.4%, having been negatively impacted compared to previous years by increased NHS scrutiny of claims and performance benchmarks, including the delivery of so-called "28 days letters" and a decrease in the number of exempt patients seeking treatment as a result of the improving UK economy. Increased NHS scrutiny of claims and performance benchmarks have reduced dentist productivity by making dentists spend more time recording notes detailing patient care and causing dentists to be more cautious in claiming UDAs. We have also experienced a decrease in the number of exempt patients, who are not

required to contribute to the cost of the NHS dentistry services they receive, which resulted in a decline in the mix of UDA bands delivered, since exempt patients tend to receive services requiring a high number of UDAs compared to patients who are required to contribute to the cost of NHS dentistry services provided.

Some of this decrease in productivity under NHS dentistry contracts has been offset by growth in the provision of private dentistry services and in the NHS dentistry contract price uplifts. We expect to gradually return to our 2011 to 2015 average UDA delivery rate during the course of the twelve months ended 31 March 2017, through a number of measures, including actively providing training to dentists to improve UDA productivity, improving diary and claims management, working with dentists to increase their working hours and refocusing our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%. Each 1% increase or decrease in UDA delivery equates to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items. The effect on our contracted UDAs has also been limited—on a net basis including new contract wins, our contracted UDAs reduced by only 0.5% for the twelve months ended 31 March 2016. Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items.

Dental chair efficiency and utilisation

We refer to our ability to utilise our dentists' time and drive efficiency in terms of revenue generation as "time in the dental chair," or "the time a dentist spends with patients." The drivers for maximising time in the dental chair consist of maximising opening hours and patient numbers and minimising downtime for maintenance and non-dentistry burdens, such as recording practice notes or responding to NHS enquiries.

We have scope to increase time in the dental chair by extending our opening hours, as most of our practices do not currently offer weekend or evening services. Because our dentists' hours and workload in practice tend to be fixed to weekday trading days and normal trading hours, our results of operations are affected by the number of trading days in a year and by other factors that result in closure or fewer or more trading days. We also leverage our central support function to drive patient numbers, and to that end we have implemented a variety of targeted marketing efforts that are aimed at attracting new patients and increasing visit frequency from existing patients.

We regularly invest in capital expenditures to provide new chairs and other equipment, and to make our suite of chairs and equipment uniform across our estate, which we believe will reduce money and time spent on maintenance. By removing the administrative, compliance and regulatory burdens of dentists, we believe that we provide dentists with a platform for maximising the time they spend with patients, and thereby increasing UDAs delivered, private dentistry services revenue generated, and overall quality of care and patient satisfaction.

Private revenue

For the twelve months ended 31 March 2016, we generated £86.4 million in revenue, or 15.3% of our total revenue, through the provision of private dentistry services. Between 31 March 2014 and 31 March 2016, we experienced like-for-like private revenue growth of 25.9%. Private dentistry services, including general dentistry, hygienist and cosmetic services, are provided by most of our dental practices, along with such practices' NHS dentistry services offering. Private dentistry services are one of the key drivers of our organic growth, and our expansive offering of private dentistry services provides us with opportunities to complement revenues we generate under our NHS dentistry contracts. Private dentistry services are provided solely at the election of the patient who funds the work (whether out-of-pocket or through insurance or payment plans), and on average the cost of private dentistry services is higher than the cost of comparable NHS dentistry services. The result is that revenues generated from private dentistry

services tend to be significantly more sensitive to general macroeconomic conditions and the level of disposable income available to our patients than revenues generated from NHS dentistry services. Prices for private dentistry services are set by the individual dentist working within guidelines determined by us. We generally compensate dentists for the provision of private dentistry services on a fixed percentage of fees paid for private dentistry services provided.

Dentist fees, costs of materials and costs of laboratory work

We believe that up to 70% of our patient services division's costs (including all of our cost of sales and certain of our administrative expenses) are variable and tied to sales volumes and activity. Our cost of sales in our patient services division, which was £246.5 million for the twelve months ended 31 March 2016, was primarily comprised of dentist and hygienist compensation, the cost of materials and laboratory work performed and the cost of consumables, materials and equipment supplied by our practice services division. Dentists working in our practices are self-employed, independent contractors who pay us a notional licence fee and receive a fixed rate per UDA delivered (in the case of the majority of NHS dentistry services) and a percentage of fees paid for private dentistry services. We negotiate dentist contracts on an individual basis, depending in part on demand for dentists and UDA prices prevalent in the locality in which the relevant dentist operates, and such fees are agreed in our associate contracts with our dentists. We also use floating dentists (locums), who generally receive higher fees per UDA than dentists operating out of one dental practice. We believe these arrangements align dentists' economic interests with ours. Our second most significant variable cost is the cost of materials. The cost of materials we procure for our dental practices are subject to general inflationary pressures in line with the macroeconomy. We have been able to drive efficiencies and achieve economies of scale in the procurement of materials by selecting the range of materials used by our practices and purchasing such materials on the basis of volume discounts. In addition, following our acquisitions of The Dental Directory and dbg, we have in-sourced the supply of the majority of dental materials, equipment and equipment maintenance to our dental practices, which has resulted in a number of cost savings for our dental practices. Our third most significant variable cost is the net costs of laboratory work performed, which we generally split evenly with dentists. Both the costs of materials and the net costs (after dentist contribution) of laboratory work performed are directly tied to our sales volumes and activity.

Practice overhead and support centre costs

Practice overhead and head office costs constitute the primary components of our overheads, which were £158.3 million in our patient services division, or 33.5% of our revenue (after excluding depreciation, amortisation of goodwill, amortisation of grant income and exceptional items), for the twelve months ended 31 March 2016. We benefit from low property costs for our dental practices, with rent costs constituting less than 3% of our revenue for the twelve months ended 31 March 2016.

Practice overhead includes the salaries of support staff, which consist of nurses and administrative support at the dental practice, the provision of equipment and estate management.

Support centre costs include the salaries of management and central support function employees providing IT, compliance, regulatory support, property and equipment maintenance, legal, finance, human resources, marketing, health and safety, risk management, recruitment, training, insurance and logistics services to our dental practices, our central support systems, central support overhead and the costs related to leasing our headquarters building.

Regulatory environment

Our results of operations are also affected from time to time by changes to the regulatory environment in relation to the healthcare generally, and dentistry specifically, in the United

Kingdom. As 68.3% of our revenue in the twelve months ended 31 March 2016 was generated in the provision of NHS dentistry services, we are particularly affected by UK Government policy in relation to contracts and funding for the provision of dental services. This includes the framework of contracts for the provision to provide dentistry, the determination of UDA volumes for a particular locality and the determination of UDA indexation of UDA prices for contract uplifts. Under the current contract framework, which was introduced in 2006, the value of NHS dentistry contracts is primarily based on the volume of UDAs delivered. Each UDA delivered under an NHS dentistry contract is assigned a fixed UDA rate, which varies by contract year-to-year, with the number of UDAs per treatment varying based on the actual treatment provided.

Local contracting

Our results are also affected by the determination of the number of UDAs required for a particular locality. NHS Regions on behalf of the NHS determine the number of UDAs required for a locality, and then solicit tenders for contracts to provide such UDAs. The NHS Regions take into account demand for dental services, population, demographics, socioeconomic factors and the penetration of dentistry access in an area when determining the number of UDAs for such locality. Increased numbers of UDAs in a particular locality will result in new contracts for the provision of NHS dentistry services, for which we may tender. If UDAs allocated to a particular locality do not meet the contracted targets, the number of contracted UDAs may be reduced through cuts to contracts where there is repeated UDA underperformance of more than 4% (or 5% in Wales). We have never lost a contract due to significant underperformance.

NHS budget

Whilst funding for certain other UK healthcare sectors has been subject to funding freezes or cuts due to government austerity measures, historically UDA prices have been subject to annual contract uplift, with increases of 0.5%, 0.5%, 1.5% and 1.6% for the contract years ended 31 March 2012, 2013, 2014 and 2015 respectively, and an increase of 1.34% for the contract year ending 31 March 2016 in England (with an uplift of 1.60% in Scotland). In the last 15 years, NHS England has never reduced prices, and for the contract year ending 31 March 2017, NHS England has announced a 0.70% uplift (1.00% in Wales) in prices. Under the current system, UDA rates vary significantly depending on the locality in which the dental services related to such UDAs were provided. Any standardisation of UDA rates by averaging rates across the United Kingdom would tend to benefit our revenue, as we believe that our current average UDA rate is slightly below the national average.

General regulatory requirements

Our costs of operations are also impacted by regulation more generally as it relates to health and safety, quality of care, the handling and storage of controlled drugs and medicines and other regulatory requirements with which we are required to comply in providing dentistry services and in purchasing and distributing dental consumables, materials and equipment. As the leading provider of dental services in the United Kingdom, we believe we are well placed to respond to and comply with regulatory changes in terms of having both dedicated regulatory and compliance teams to minimise such costs, and a sizeable revenue base and infrastructure to absorb increased costs.

Proposed NHS dentistry contract changes

A prototype trial process commenced in October 2015 as the next stage in the proposed reform of the NHS dentistry contract. Under the proposed changes to the current contract frameworks, which we estimate will be implemented, if at all, no earlier than 2019/20, NHS dentistry contracts could combine aspects of the existing UDA-based system, fixed payments for a given level of care time, number of patients treated, clinical outcomes, patient experience and patient safety. We believe that these changes, if they occur, will generally prove revenue neutral, and

that we will be able to leverage our scale to derive a competitive advantage in terms of patient recruitment and delivery of quality care under any new NHS dentistry contractual framework.

Practice services

Practice services' revenue

Revenues generated within our practice services division, before intragroup trading eliminations, have increased from £112.2 million for the twelve months ended 31 March 2015 to £117.5 million for the twelve months ended 31 March 2016, reflecting the effect of the acquisitions of The Dental Directory in April 2014 and Med-FX in August 2015. The majority of revenues result from the sale of dental materials, consumables and services to dental practices across the United Kingdom. From July 2014 onwards, our practice services division has also supplied materials and consumable products, as well as services, to our patient services division. The division also supplies a range of materials and consumables to the wider healthcare sector. Other sources of revenue within our practice services division include the supply of dental equipment, engineering, calibration and training services. These services are provided to our patient services division as well as to a range of external customers and have generated significant cost savings, synergies and opportunities for growth.

Demand for the products and services offered by this division is principally dependent upon the demand for dentistry services by the end customer. However, fluctuations in demand for NHS or private dentistry services within the market as a whole may impact the demand for dental materials since the cost of materials and consumables used to deliver private dentistry treatments will often be higher than for similar NHS treatments.

Following the acquisition of PDS Dental Laboratories Leeds and Dolby Medical in March 2016, the division has expanded the services provided to include dental laboratory work and developed the services available across Scotland.

Cost of goods sold

The cost of goods sold by our practice services division principally comprises the wholesale cost of purchasing dental materials, equipment and consumables. Materials, consumables and equipment are sourced from a wide range of suppliers, many of whom are located overseas. The cost of our purchases is therefore subject to foreign exchange risk where goods are purchased in foreign currencies, typically euros or US dollars. Since we do not generate any significant revenues in currencies other than pounds sterling, our policy is to hedge the pound sterling equivalent costs of a proportion of our foreign currency purchases using ordinary course foreign exchange derivative contracts, in order to reduce uncertainty over future cash flows. In addition to fluctuations resulting from movements in foreign exchange rates, cost of goods sold also fluctuate due to changes in supply and demand in the market and changes in the cost of associated raw materials. Our practice services division manages the impact of these fluctuations through competitive tendering of significant supply contracts and through volume purchasing to take advantage of supplier discount arrangements or rebate mechanisms.

Distribution and sales overheads

Distribution and sales overheads include the freight and carriage costs associated with distributing products to our customers and the salary and associated costs of our sales teams. We are increasing the level of investment into these sales teams, including the roll-out of CRM software, and are also investing to improve the ordering functionality of the website. For engineering and other similar services, overheads also includes the cost of direct labour associated with delivering the service.

Description of key line items

IFRS

Set out below is a brief description of the composition of the key line items of our statement of income under IFRS.

Revenue

Revenue represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that we have obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Revenue derived from NHS dentistry contracts in England and Wales is recognised on the volume of dental activity delivered in the financial period. Revenue 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. Revenue from the sale of goods by the group's practice services division is recognised upon despatch.

Cost of sales

Cost of sales represents the operating expenses incurred in the delivery of our dental goods and services, including dentist compensation, laboratory work costs, dental materials and prostheses.

Other operating income

Other operating income primarily represents additional income to assist in the upkeep of premises received from Scottish health boards and is based on the proportion of NHS treatment carried out by a dental practice in Scotland. Other operating income also includes income received from property rentals.

Administrative expenses

Administrative expenses represent all operating expenses that are not directly attributable to the actual provision of our dentistry services, including dental practice staff costs, property services and facilities management costs and other variable dental-related expenses and rent. Administrative expenses also includes support centre costs, including central staff and employee support costs, premises costs, communications and systems costs, legal and professional fees, and marketing and development costs. In addition, administrative expenses includes amortisation of intangibles and depreciation of owned assets and foreign exchange movement.

Operating profit

Operating profit represents the sum of (i) gross profit, (ii) other operating income and (iii) administrative expenses.

Finance income

Finance income comprises interest income and gains on hedging instruments which are recognised as they arise.

Finance costs

Finance costs comprise the interest paid by us on our bond and bank debt (including the Existing Notes and the Existing Revolving Credit Facility) including the amortisation of financing costs in respect of bank facilities, together with losses on hedging instruments, which are recognised as they arise.

Income tax

Income tax represents the corporation tax charge or credit on our profit or loss for the year and includes both current and deferred income tax. Income tax is recognised in the income statement unless it relates to items recognized directly in equity, when it is recognised through the statement of comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the end of the reporting period, and any adjustments in respect of previous periods.

Deferred income tax is provided on certain temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and taxation purposes at the end of each reporting period. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted in each jurisdiction at the end of the reporting period.

UK GAAP

Set out below is a brief description of the composition of the key line items of our profit and loss account under UK GAAP.

Turnover

Turnover represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that we have obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Turnover derived from NHS dentistry contracts in England and Wales is recognised on the volume of dental activity delivered in the financial period. 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.

Cost of sales

Cost of sales represents the operating expenses incurred in the delivery of our dental goods and services, including dentist compensation, laboratory work costs, dental materials and prostheses.

Other operating income

Other operating income primarily represents additional income to assist in the upkeep of premises received from Scottish health boards and is based on the proportion of NHS treatment carried out by a dental practice in Scotland. Other operating income also includes income received from property rentals.

Administrative expenses

Administrative expenses represent all operating expenses that are not directly attributable to the actual provision of our dentistry services, including dental practice staff costs, property services and facilities management costs and other variable dental-related expenses and rent. Administrative expenses also includes support centre costs, including central staff and employee support costs, premises costs, communications and systems costs, legal and professional fees, and marketing and development costs. In addition, administrative expenses includes goodwill amortisation and depreciation of owned assets.

Operating profit

Operating profit represents the sum of (i) gross profit, (ii) other operating income and (iii) administrative expenses.

Profit/(loss) on disposal of assets

Profit/(loss) on disposal of assets consists of the net loss from the sale of assets, including the sale of dental practices and the related goodwill to a third party and the sale of freehold property.

Interest receivable and similar income

Other interest receivable and similar income represents interest earned on our money deposited with financial institutions.

Interest payable and similar charges

Interest payable and similar charges represent interest payable on bank loans, the amortisation of bank loan arrangement fees, hedging costs and certain other charges, including accrued interest.

Tax on loss on ordinary activities

Tax is based on the results for the accounting period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting periods.

Equity 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 us.

Other financial information (non-IFRS and non-UK GAAP)

Set out below is a brief description of other non-IFRS and non-UK GAAP financial information (with revenue constituting turnover under UK GAAP for periods presented under UK GAAP).

Gross profit margin

Gross profit margin represents gross profit divided by revenue.

EBITDA margin

EBITDA margin represents EBITDA before exceptional items divided by revenue.

NHS dentistry services revenue as a percentage of total revenue

NHS dentistry services revenue as a percentage of total group revenue represents revenue generated through the provision of NHS dentistry services under NHS dentistry contracts divided by group revenue.

Total annual UDA delivery percentage

Total annual UDA delivery percentage represents the total number of UDAs we deliver in a given year divided by our total number of contracted UDAs in place at the end of a given year.

UDA contract uplift

UDA contract uplift represents the percentage increase of UDA prices under each NHS dentistry contract over the prior year's prices in each respective NHS dentistry contract.

Private dentistry services revenue as a percentage of total revenue

Private dentistry services revenue as a percentage of total revenue represents revenue generated through the provision of private dentistry services divided by revenue.

Like-for-like private revenue growth

Like-for-like private revenue growth represents the total private revenue generated by all the practices owned for the whole of a financial year divided by the private revenue generated by the same practices in the preceding financial year.

Total number of dental practices

Total number of dental practices represents the total number of dental practices we own as at a specified date.

Administrative expenses as a percentage of total turnover (UK GAAP)

Administrative expenses as a percentage of total turnover represents administrative expenses less depreciation, amortisation of goodwill, amortisation of grant income and exceptional items, divided by turnover.

Overheads as a percentage of total revenue (IFRS)

Overhead expenses as a percentage of total revenue represents administrative expenses plus distribution costs less depreciation, amortisation of intangible assets, amortisation of grant income and exceptional items, divided by revenue.

Results of operations

Twelve months ended 31 March 2015 compared to the twelve months ended 31 March 2016

The following table provides an overview of our results of operations for the years ended 31 March 2015 and 2016. In the twelve months ended 31 March 2016, we acquired 34 dental practices and opened one new dental practice for a total of 672 dental practices in our estate as at 31 March 2016. Our practice services division also acquired three businesses:

- Med-FX Limited, a distributor of facial aesthetics products with a pharmacy offering, was acquired on 31 August 2015;
- PDS Dental Laboratory Leeds Limited, a leading dental laboratory, was acquired on 18 March 2016; and
- Dolby Medical Limited, a medical supplies and equipment servicing business, was acquired on 31 March 2016.

(£ in millions)	Twelve months ended 31 March	
	2015(*) (unaudited)	2016
Revenue	534.2	565.9
Cost of sales	(294.9)	(307.5)
Gross profit	239.4	258.4
Distribution costs	(13.0)	(15.2)
Administrative expenses	(203.7)	(233.9)
Other income	1.8	1.9
Other gains	–	0.4
Operating profit	24.4	11.6
Finance costs	(40.0)	(38.7)
Finance income	0.1	1.1
Loss before income tax	(15.5)	(25.9)
Income tax credit	2.9	7.8
Loss for the year	(12.6)	(18.1)

(*) Our results of operations for the twelve months ended 31 March 2015 have been restated from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements, including note 37 thereto, included elsewhere in this offering memorandum.

The following table sets out certain other non-IFRS financial information for the years ended 31 March 2015 and 2016.

(£ in millions)	Twelve months ended 31 March	
	2015(*)	2016
EBITDA before exceptional items (£ in millions)	76.8	80.2
Gross profit margin	44.8%	45.7%
EBITDA margin	14.4%	14.2%
NHS dentistry services revenue as a percentage of total revenue	69.8%	68.3%
Total annual UDA delivery percentage	95.8%	92.4%
Private dentistry services revenue as a percentage of total revenue	13.0%	15.3%
Like-for-like private revenue growth	12.2%	11.6%
Practice services revenue as a percentage of total revenue	17.2%	16.4%
Overheads as a percentage of revenue	30.8%	31.8%
Total number of dental practices	644	672

Revenue

Revenue for the twelve months ended 31 March 2016 increased by £31.6 million, or 5.9%, from £534.2 million for the twelve months ended 31 March 2015 to £565.9 million for the twelve months ended 31 March 2016. This increase was primarily due to the contribution from dental practice acquisitions during the year.

We have continued to experience strong demand for private dentistry services within our existing practices, with like-for-like revenue from practices owned as at 1 April 2014 having increased by 11.6%. However, this growth has been offset by a reduction in revenue from NHS dentistry services. The increase in our revenue is further analysed in the table below:

Revenue (£ in millions)	For the twelve months ended 31 March		Movement
	2015	2016	
Practices owned as at 1 April 2014*	425.8	422.6	(3.2)
Practices acquired or opened during the twelve months ended 31 March 2015	16.3	39.8	23.4
Practices acquired or opened during the twelve months ended 31 March 2016	–	10.4	10.4
Patient services revenue	442.2	472.7	30.6
Practice services and other revenue	92.1	93.1	1.0
Group revenue	534.2	565.9	31.6

* The disposal of two practices during the period had a negligible impact on results.

The 67 practices acquired or opened during the twelve months ended 31 March 2015 contributed revenue of £39.8 million for the twelve months ended 31 March 2016, an increase of £23.4 million over the contribution by the same practices during the twelve months ended 31 March 2015, reflecting our ownership of these practices for the full year. The 35 practices acquired or opened during the twelve months ended 31 March 2016 contributed revenue of £10.4 million for the twelve months ended 31 March 2016, reflecting the immediate impact on our revenue from these acquired practices.

Revenue generated by practices owned as at 1 April 2014 decreased by £3.2 million, or 0.8%, from £425.8 million for the twelve months ended 31 March 2015 to £422.6 million for the twelve months ended 31 March 2016. The decrease was primarily due to a lower UDA delivery percentage of 92.4% compared with 95.8% for the twelve months ended 31 March 2015, partially offset by continued strong growth in private revenues, which increased by 11.6% on a like-for-like basis. The decrease in UDA delivery percentage mirrored recent industry trends and was due to a number of factors, including a continued decline in the number of exempt patients, a change in UDA band mix away from higher value band 2 (3 UDAs) and 3 (12 UDAs) treatments, individual dentist productivity, and initiatives to increase the range of treatment options available to patients which contributed to growth in private revenues.

Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items.

Cost of sales

Cost of sales increased by £12.6 million, or 4.3%, from £294.9 million for the twelve months ended 31 March 2015 to £307.5 million for the twelve months ended 31 March 2016. Gross profit margin increased by 0.9 percentage points, from 44.8% for the twelve months ended 31 March 2015 to 45.7% for the twelve months ended 31 March 2016.

Patient services gross margin for the twelve months ended 31 March 2016 was 47.9%, compared to 48.1% for the twelve months ended 31 March 2015. This was primarily due to higher locum

costs when compared to the twelve months ended 31 March 2015, partially offset by savings in materials costs. Gross margin in our practice services division was 30.5%, an increase of 2.1 percentage points from 28.4% for the twelve months ended 31 March 2015, primarily reflecting favourable foreign exchange rates during the twelve months ended 31 March 2016.

The increase in our cost of sales was primarily due to the full-period costs of the 67 practices acquired or opened in the twelve months ended 31 March 2015 and the in-period costs of the 35 practices acquired or opened in the twelve months ended 31 March 2016. Together, the increase in cost of sales from these practices was £18.2 million.

Other operating income

Other operating income increased by £0.1 million, or 7.1%, from £1.8 million for the twelve months ended 31 March 2015 to £1.9 million for the twelve months ended 31 March 2016. We generate other operating income primarily from income received from Scottish Health Boards to assist in the upkeep of our dental practices, based on the proportion of NHS treatment carried out by each dental practice, and property rental income.

Distribution costs

Distribution costs increased by £2.2 million, or 16.6%, from £13.0 million for the twelve months ended 31 March 2015 to £15.2 million for the twelve months ended 31 March 2016. This increase was primarily due to an increase in revenue generated by our practice services division and investment in warehouse staffing.

Administrative expenses

Administrative expenses increased by £30.2 million, or 14.8%, from £203.7 million for the twelve months ended 31 March 2015 to £233.9 million for the twelve months ended 31 March 2016.

This increase was due to a number of factors, including a £9.3 million increase in non-underlying costs relating to an investment in the roll-out of the "mydentist" brand, an increase in the number of dental practices with the consequent growth in staff costs, rent and other establishment costs and a £4.2 million increase in the charge for depreciation and amortisation of intangible assets. Administrative expenses also included a loss of £2.6 million from business and asset disposals which principally arose from the closure of the dbg head office in Winsford and the merging of dbg's administrative functions with those of The Dental Directory in Witham, to create a centralised support function for the practice services division.

Finance costs

Finance costs decreased by £1.4 million, or 3.4%, from £40.0 million for the twelve months ended 31 March 2015 to £38.7 million for the twelve months ended 31 March 2016. Finance costs for the twelve months ended 31 March 2015 included £1.7 million of arrangement fees in respect of the issue of £100.0 million of additional Existing Floating Rate Notes in May 2014 and £1.0 million due to an adverse movement in the mark-to-market value of our interest rate swap contracts.

These movements were partially offset by higher interest costs in respect of our Existing Revolving Credit Facility, due to an increase in the average amount drawn, and a full year of interest charged in respect of the Existing Notes.

Finance income

Finance income increased by £1.0 million from £0.1 million for the twelve months ended 31 March 2015 to £1.1 million for the twelve months ended 31 March 2016. The increase was primarily due to a favourable movement of £1.1 million in the mark-to-market value of our interest rate swap contracts.

Income tax credit

Income tax credit increased by £4.9 million, from £2.9 million for the twelve months ended 31 March 2015 to £7.8 million for the twelve months ended 31 March 2016. This was primarily due to the accounting impact of reductions in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 upon the opening deferred income tax balances, in addition to the partial reversal of deferred income tax temporary differences in respect of intangible assets.

EBITDA before exceptional items

EBITDA before exceptional items increased by £3.4 million, or 4.4%, from £76.8 million for the twelve months ended 31 March 2015 to £80.2 million for the twelve months ended 31 March 2016. This was primarily due to the impact of dental practice acquisitions, which added £6.4 million of EBITDA, along with strong like-for-like private revenue growth of 11.6% and EBITDA growth in our practice services division, which was due in part to more favourable foreign exchange rates, and was partially offset by a reduction in NHS contract delivery, with the UDA delivery percentage falling from 95.8% to 92.4%, and an increase in administration costs as a percentage of revenue from 30.8% for the twelve months ended 31 March 2015 to 31.8% for the twelve months ended 31 March 2016.

NHS dentistry services revenue as a percentage of total revenue

NHS dentistry services revenue as a percentage of total revenue decreased 1.5 percentage points, from 69.8% for the twelve months ended 31 March 2015 to 68.3% for the twelve months ended 31 March 2016. This decrease was primarily due to the strong growth experienced in private dentistry revenues in conjunction with a lower level of UDA contract delivery.

Total annual UDA delivery percentage

Our total annual UDA delivery percentage for the twelve months ended 31 March 2016 was 92.4%, a decrease of 3.4 percentage points over our total annual UDA delivery percentage of 95.8% for the twelve months ended 31 March 2015. The lower UDA delivery percentage mirrored recent industry trends and reflected a number of factors, including a continued decline in the number of exempt patients, a change in UDA band mix away from higher value band 2 (3 UDAs) and 3 (12 UDAs) treatments, individual dentist productivity, and our initiatives to increase the range of treatment options available to patients which has contributed to growth in private revenues.

Private dentistry services revenue as a percentage of total revenue

Private dentistry services revenue as a percentage of total revenue increased 2.3 percentage points, from 13.0% for the twelve months ended 31 March 2015, to 15.3% for the twelve months ended 31 March 2016. This increase reflected like-for-like growth in private dentistry services of 11.6%, in addition to the acquisition of practices with a higher sales mix of private dentistry revenue.

Like-for-like private revenue growth

Like-for-like private revenue growth was 11.6% for the twelve months ended 31 March 2016 compared with like-for-like growth of 12.2% for the twelve months ended 31 March 2015, reflecting the benefits from increasing the range of treatment choices available to our patients, the offering of additional services and price increases.

Overheads as a percentage of revenue

Overheads as a percentage of revenue increased by 1.0 percentage point, from 30.8% for the twelve months ended 31 March 2015 to 31.8% for the twelve months ended 31 March 2016.

This increase was primarily due to a reduction in NHS revenues in practices owned as at 1 April 2014 in addition to the full year impact of the investment made by management in practice operations during the second half of the twelve months ended 31 March 2015 which increased the number of practice and area managers, introduced a management team focused on the development of private revenues, improved dentist clinical support and invested in pay structures to retain and incentivise nurses. These factors were partially offset by reductions in support centre and practice headcount in September 2015.

Total number of dental practices

Our total number of dental practices increased by 28, or 4.3%, from 644 as at 31 March 2015 to 672 as at 31 March 2016, due to the acquisition of 34 dental practices and the opening of one new dental practice, offset by the merger of five existing practices and the closure of two practices. Practices are merged in order to benefit from relocating to larger, or better located premises, or to enable us to add specialist skills into hub practices.

Twelve months ended 31 March 2014 compared to the twelve months ended 31 March 2015

The following table provides an overview of our results of operations for the years ended 31 March 2014 and 2015. In the twelve months ended 31 March 2015, we acquired 66 dental practices, opened one new dental practice and disposed of two dental practices. We had a total of 644 dental practices in our estate as at 31 March 2015. We also acquired The Dental Directory on 17 April 2014.

(£ in millions)	Twelve months ended 31 March	
	2014(*)	2015(*)
Turnover	407.5	534.2
Cost of sales	(210.8)	(294.9)
Gross profit	196.7	239.4
Other operating income	1.7	1.8
Administrative expenses	(179.8)	(223.9)
Operating profit	18.6	17.3
(Loss)/profit on disposal of assets	(0.4)	1.4
Profit on ordinary activities before interest and taxation	18.1	18.6
Interest receivable and similar income	0.1	0.1
Interest payable and similar charges	(54.3)	(38.6)
Loss on ordinary activities before taxation	(36.1)	(19.9)
Tax on loss on ordinary activities	2.0	(0.6)
Loss on ordinary activities after taxation	(34.1)	(20.5)
Equity minority interests	(0.1)	0.1
Loss for the financial period	(34.1)	(20.4)

(*) The financial information as of and for the years ended 31 March 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

The following table sets out certain other non-UK GAAP financial information for the years ended 31 March 2014 and 2015.

	Twelve months ended 31 March	
	2014	2015
EBITDA before exceptional items (£ in millions)	67.8	76.8
Gross profit margin	48.3%	44.8%
EBITDA margin	16.6%	14.4%
NHS dentistry services turnover as a percentage of total turnover	84.9%	69.8%
Total annual UDA delivery percentage.	96.7%	95.8%
Private dentistry services turnover as a percentage of total turnover.	13.4%	13.0%
Like-for-like private turnover growth.	8.6%	12.2%
Practice services revenue as a percentage of total turnover	1.7%	17.2%
Administrative expenses as a percentage of turnover	32.0%	30.8%
Total number of dental practices	585	644

Turnover

Turnover for the twelve months ended 31 March 2015 increased by £126.7 million, or 31.1%, from £407.5 million for the twelve months ended 31 March 2014 to £534.2 million for the twelve months ended 31 March 2015. This increase was primarily due to our acquisition of The Dental Directory, which increased our practice services turnover by £85.1 million from £6.9 million for the twelve months ended 31 March 2014, to £92.1 million.

Turnover in our patient services division increased by £41.7 million, or 10.4%, from £400.5 million for the twelve months ended 31 March 2014 to £442.2 million for the twelve months ended 31 March 2015. This increase was primarily due to the contribution from dental practices acquisitions during the year.

We experienced strong demand for private dentistry services within our existing practices which, despite being partially offset by a reduction in turnover from NHS dentistry services, contributed to a net increase in turnover from these practices. The increase in our turnover is further analysed in the table below:

Turnover (£ in millions)	For the twelve months ended 31 March		Movement
	2014	2015	
Practices owned as at 1 April 2013.	377.4	381.3	3.9
Practice disposals	0.2	–	(0.2)
Practices acquired or opened during the twelve months ended 31 March 2014	22.8	44.6	21.8
Practices acquired or opened during the twelve months ended 31 March 2015	–	16.3	16.3
Patient services turnover.	400.5	442.2	41.7
Practice services and other turnover	7.0	92.1	85.1
Group turnover	407.5	534.2	126.7

The 61 practices acquired or opened during the twelve months ended 31 March 2014 contributed turnover of £44.6 million for the twelve months ended 31 March 2015, an increase of £21.8 million over the contribution by the same practices during the twelve months ended 31 March 2014, reflecting our ownership of these practices for the full twelve months ended 31 March 2015. The 67 practices acquired or opened during the twelve months ended 31 March 2015 contributed turnover of £16.3 million for the twelve months ended 31 March 2015, reflecting the immediate impact on our turnover from these acquired practices.

Turnover generated by practices owned as at 1 April 2013 increased by £3.9 million, or 1.0%, from £377.4 million for the twelve months ended 31 March 2014 to £381.3 million for the twelve months ended 31 March 2015, due to a 12.2% increase in turnover generated by private dentistry services, partially offset by a 0.7% decrease in turnover generated from NHS dentistry services. This decrease reflected a lower UDA delivery percentage of 95.8% compared to 96.7% for the twelve months ended 31 March 2014, partially offset by an uplift of 1.6% to NHS dentistry contracts. Our lower UDA delivery percentage resulted from industry-wide factors and was also partly the result of initiatives to increase the range of treatment options available to patients which contributed to growth in our private dentistry services revenues.

Cost of sales

Cost of sales increased by £84.0 million, or 39.9%, from £210.8 million for the twelve months ended 31 March 2014 to £294.9 million for the twelve months ended 31 March 2015. Gross profit margin decreased by 3.5 percentage points, from 48.3% for the twelve months ended 31 March 2014 to 44.8% for the twelve months ended 31 March 2015. This decrease was primarily due to a change in sales mix following our acquisition of The Dental Directory which, along with dbg and our other practice services division businesses, added £62.9 million to our cost of sales. The remaining increase in our cost of sales was primarily due to the full-period costs of the 61 practices acquired or opened in the twelve months ended 31 March 2014 and the in-period costs of the 67 practices acquired or opened in the twelve months ended 31 March 2015, which, collectively, contributed £19.4 million to cost of sales.

The gross margin for our patient services division for the twelve months ended 31 March 2015 was 48.1% compared to 48.0% for the twelve months ended 31 March 2014, and the gross margin for our practice services division was 28.9%. The gross margins for our patient services division continued to be assisted by laboratory fee savings resulting from management actions to increase cost transparency to dentists when compared to the twelve months ended 31 March 2014, largely offset by increased expenditure on dental materials, partly as a result of increases in private dentistry services revenue, but also as a result of transitional issues with the transfer of materials purchasing to The Dental Directory during the second and third quarters of the year, which have now been resolved.

Other operating income

Other operating income remained relatively stable at £1.8 million for the twelve months ended 31 March 2015 compared to £1.7 million for the twelve months ended 31 March 2014. We generate other operating income primarily from income received from Scottish Health Boards to assist in the upkeep of our dental practices, based on the proportion of NHS treatment carried out by each dental practice, and property rental income.

Administrative expenses

Administrative expenses increased by £44.1 million, or 24.6%, from £179.8 million for the twelve months ended 31 March 2014 to £223.9 million for the twelve months ended 31 March 2015.

This increase was the result of our acquisition of The Dental Directory, an increase in the number of dental practices with the consequent growth in staff costs, rent and other establishment costs, and an increase in the charge taken for the amortisation of goodwill.

Administration expenses also increased due to management's investments in (i) practice operations, by increasing the number of area managers to reduce the number of practices each area manager controls, (ii) a management team focused on the development of private dentistry services revenues, (iii) regional dentist clinical support structures, such as an increase in the number of practice managers with the aim of moving towards one manager per practice, and (iv) our nurse pay structure to retain and incentivise nurses. A general staff pay increase of 1.5% was awarded at the beginning of May 2014.

Profit/(loss) on disposal of assets

The profit on disposal of assets of £1.4 million for the twelve months ended 31 March 2015 was primarily due to the sale and leaseback of 43 freehold dental practices, which was partially offset by tangible fixed assets which were disposed of following the relocation of a small number of existing practices to new premises. The loss on disposal of assets of £0.5 million for the twelve months ended 31 March 2014 was primarily due to the disposal of one dental practice in addition to the sale and leaseback of three freehold dental practices and the loss on disposal thereof.

Interest payable and similar charges

Interest payable and similar charges decreased by £15.7 million, or 28.8%, from £54.3 million for the twelve months ended 31 March 2014 to £38.6 million for the twelve months ended 31 March 2015. This decrease was primarily due to the prior year charge including £15.3 million of issue costs relating to our former senior facilities exited in May 2013 which were amortised during the period following the issuance of the Existing Notes and £8.3 million of interest on subordinated shareholder loans which were capitalised in May 2013 in connection with the issuance of the Existing Notes. This decrease was partially offset by an increase in interest charges resulting from an increased amount of debt drawn to fund acquisitions, including the issuance of £100.0 million in aggregate principal amount of the Existing Floating Rate Notes in May 2014.

Tax on loss on ordinary activities

Our tax charge on loss on ordinary activities increased by £2.6 million, from a £2.0 million credit for the twelve months ended 31 March 2014 to a charge of £0.6 million for the twelve months ended 31 March 2015. This increase was the result of the partial utilization of capital allowances on asset purchases which were carried forward from previous years, in excess of depreciation charged.

EBITDA before exceptional items

EBITDA before exceptional items increased by £9.0 million, or 13.3%, from £67.8 million for the twelve months ended 31 March 2014 to £76.8 million for the twelve months ended 31 March 2015. This increase was primarily due to the contribution from acquisitions and like-for-like growth in private dentistry services of 12.2%. Administrative expenses as a percentage of turnover were also 1.2 percentage points lower at 30.8%. These benefits were partially offset by a lower UDA delivery percentage for the twelve months ended 31 March 2015 and the substantial investment made to practice operational structures described under “—Administrative expenses” above.

NHS dentistry services turnover as a percentage of total turnover

NHS dentistry services turnover as a percentage of total turnover decreased 15.1 percentage points, from 84.9% for the twelve months ended 31 March 2014 to 69.8% for the twelve months ended 31 March 2015. This decrease was primarily due to the increase in our practice services revenue for the twelve months ended 31 March 2015 following our acquisition of The Dental Directory.

Total annual UDA delivery percentage

Our total annual UDA delivery percentage for the twelve months ended 31 March 2015 was 95.8%, a decrease of 0.9 percentage points over our total annual UDA delivery percentage of 96.7% for the twelve months ended 31 March 2014. This decrease was partly the result of initiatives to increase the range of treatment options available to patients which has contributed to growth in private revenues.

Private dentistry services turnover as a percentage of total turnover

Private dentistry services turnover as a percentage of total turnover decreased 0.4 percentage points, from 13.4% for the twelve months ended 31 March 2014 to 13.0% for the twelve months ended 31 March 2015. This decrease was primarily due to a change of sales mix following our acquisition of The Dental Directory, partially offset by like-for-like growth in private dentistry services of 12.2% and the acquisition of practices with a higher than typical level of private dentistry revenue.

Like-for-like private turnover growth

Like-for-like private turnover growth was 12.2% for the twelve months ended 31 March 2015, compared to 8.6% for the twelve months ended 31 March 2014. This increase was primarily due to an increase in the range of treatment choices available to our patients, the offering of additional services and price increases.

Practice services turnover as a percentage of total turnover

Practice services turnover as a percentage of total turnover increased by 15.5 percentage points, from 1.7% for the twelve months ended 31 March 2014 to 17.2% for the twelve months ended 31 March 2015. This increase was primarily due to our acquisition of The Dental Directory.

Administrative expenses as a percentage of turnover

Administrative expenses as a percentage of turnover decreased 1.2 percentage points, from 32.0% for the twelve months ended 31 March 2014 to 30.8% for the twelve months ended 31 March 2015. This decrease reflects a lower administrative cost burden within The Dental Directory business that we acquired and growing economies from the increasing scale of our operations, partially offset by the increased investment in practice operational structures described under “—Administrative expenses” above.

Total number of dental practices

Our total number of dental practices increased by 59, or 10.0%, from 585 as at 31 March 2014 to 644 as at 31 March 2015, due to the acquisition of 66 dental practices and the opening of one new dental practice, offset by the merger of eight practices. Practices are merged in order to benefit from relocating to larger, or better located premises, or to enable us to add specialist skills into hub practices.

Liquidity and capital resources

“Liquidity” describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Our primary sources of liquidity are provided by cash generated from our operating activities and our third-party financings. Our liquidity requirements arise primarily to meet our debt service obligations, to fund acquisitions and to fund capital expenditures.

Historically, we have relied on cash flow from operations and borrowings under our Existing Revolving Credit Facility to fund capital expenditures and acquisitions, and to provide funds required for our operations. Following the Offering and the application of the proceeds therefrom, our debt service obligations will consist primarily of interest payments on the Notes and principal and interest payments on amounts drawn under the New Revolving Credit Facility. We expect to fund acquisitions in the future primarily through drawings under the New Revolving Credit Facility and with cash generated by our operations. We expect to fund capital expenditures primarily with cash generated by our operations. Although we believe that our expected cash flows from operating activities, together with available borrowings under the New Revolving Credit Facility, will be adequate to meet our expected general liquidity needs

and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to meet our liquidity needs, including making payments on the Notes or on our other debt when due. If our cash flow from operating activities is lower than expected, or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and capital markets, restrictions in the instruments governing our debt and our general financial performance. See "Description of other indebtedness—New Revolving Credit Facility Agreement," "Risk factors—Risks related to our Indebtedness and the Notes—We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful" and "Risk factors—Risks related to our indebtedness and the Notes—Our substantial indebtedness could have a material adverse effect on our financial health and could prevent us from fulfilling our obligations with respect to the Notes and the Guarantees."

Cash flows

Twelve months ended 31 March 2015 compared to the twelve months ended 31 March 2016

The table below summarises our consolidated cash flow statement for the years ended 31 March 2015 and 2016.

(£ in millions)	Twelve months ended 31 March	
	2015(*) (unaudited)	2016
Cash generated from operations	77.4	80.0
Tax	(0.6)	0.6
Capital expenditure	(15.1)	(24.2)
Acquisitions	(114.0)	(43.8)
Interest received	0.1	0.1
Financing	74.4	(26.8)
Net increase/(decrease) in cash and cash equivalents	22.2	(14.2)
Cash and cash equivalents at the start of the year	6.9	29.1
Cash and cash equivalents at the end of the year	29.1	14.9

(*) Our results of operations for the twelve months ended 31 March 2015 have been reconciled from UK GAAP to IFRS. See our 2016 Audited IFRS Financial Statements included elsewhere in this offering memorandum.

Our cash generated from operations for the twelve months ended 31 March 2016 increased by £2.6 million, or 3.4%, from £77.4 million for the twelve months ended 31 March 2015 to £80.0 million for the twelve months ended 31 March 2016. Cash generated from operations included favourable working capital movements of £18.1 million (2015: £7.8 million) which principally arose from the lower UDA contract delivery percentage. We received 1/12th of the annual contract value up-front and contract value that is not delivered will typically be repaid in the following year. In addition, cash generated from operations included acquisition related fees and expenses of £1.9 million (2015: £3.9 million) and the non-underlying costs associated with the roll-out of the "mydentist" brand of £10.6 million (2015: £1.3 million). Following the completion of the roll-out of the "mydentist" brand to the majority of our dental practices towards the end of 2016, we expect a portion of the increase in our capital expenditures related to the rebranding to reduce, relative to our revenues, to more typical levels for our business.

Net cash outflows from capital expenditure increased by £9.0 million, or 59.8%, from £15.1 million for the twelve months ended 31 March 2015 to £24.2 million for the twelve months

ended 31 March 2016. The cash outflow for the twelve months ended 31 March 2015 is net of a cash inflow of £10.8 million generated from the sale and leaseback of freehold dental practices. £2.7 million was generated from similar sales during the twelve months ended 31 March 2016. Gross capital expenditures therefore increased by £1.0 million from £25.9 million for the twelve months ended 31 March 2015 to £26.9 million for the twelve months ended 31 March 2016.

Cash outflows from acquisitions were £43.8 million for the twelve months ended 31 March 2016, a decrease of £70.2 million from the twelve months ended 31 March 2015 due to the acquisition of The Dental Directory in April 2014 and a lower number of dental practice acquisitions. 34 practices were acquired during the twelve months ended 31 March 2016 compared to 66 practices during the twelve months ended 31 March 2015.

The cash outflow of £26.8 million from financing reflects cash interest costs of £35.3 million partially offset by £8.5 million drawn against the Existing Revolving Credit Facility. The cash inflow of £74.4 million for the twelve months ended 31 March 2015 included net proceeds of £109.7 million from the issue of additional Existing Notes and additional borrowings from the Existing Revolving Credit Facility, offset by cash interest costs of £33.6 million and debt arrangement fees of £1.7 million.

Twelve months ended 31 March 2014 compared to the twelve months ended 31 March 2015

The table below summarises our consolidated cash flow statement for the years ended 31 March 2014 and 2015.

(£ in millions)	Twelve months ended 31 March	
	2014(*)	2015(*)
Net cash inflow from operations	54.8	81.3
Senior facility loan interest paid and other interest expenses ⁽¹⁾	(24.3)	(32.0)
Syndicate charges paid.	(1.7)	(1.5)
Debt issue costs.	(15.4)	(1.7)
Returns on investments and servicing of finance	(41.4)	(35.2)
Net cash inflow after returns on investment and servicing of finance . . .	13.3	46.1
Taxation recovered/(paid)	0.2	(0.6)
Capital expenditure	(23.5)	(15.1)
Net cash (outflow)/inflow before acquisitions	(9.9)	30.4
Acquisitions and disposals	(93.6)	(118.0)
Net cash outflow before financing.	(103.5)	(87.6)
Financing.	68.0	109.8
(Decrease)/increase in cash in the financial period.	(35.5)	22.2

(*) The financial information as of and for the years ended 31 March, 2014 and 2015 has been derived from the 2014 Audited GAAP Financial Statements and the 2015 Audited GAAP Financial Statements, respectively, each of which were prepared in accordance with UK GAAP.

(1) Other interest expenses include interest paid on our Existing Notes and interest rate swap cash paid, offset by bank interest received.

Our net cash inflow from operating activities for the twelve months ended 31 March 2015 increased by £26.5 million, or 48.4%, from £54.8 million for the twelve months ended 31 March 2014 to £81.3 million for the twelve months ended 31 March 2015. This increase was primarily due to our acquisition of The Dental Directory, an increase in the number of NHS dentistry contracts awarded to us through Acquired Dental Practices, growth in private revenues, a reduction in expenditure against historical provisions and improved working capital management.

Cash outflows from returns on investments and servicing of finance decreased by £6.2 million, or 15.0%, from outflows of £41.4 million for the twelve months ended 31 March 2014 to outflows of £35.2 million in the twelve months ended 31 March 2015, primarily due to fees

incurred in the previous year in respect of the issuance of the additional Existing Notes. This was partially offset by an increase in interest payable in respect of the additional Existing Floating Rate Notes issued in May 2014. Cash outflows from capital expenditures decreased by £8.4 million, or 35.7%, from £23.5 million for the twelve months ended 31 March 2014 to £15.1 million for the twelve months ended 31 March 2015, primarily due to proceeds of £10.8 million from the sale and leaseback of 43 freehold dental practices, which are included in the net expenditure for the year to 31 March 2015. Cash outflows from acquisitions and disposals were £118.0 million for the twelve months ended 31 March 2015, an increase of £24.4 million from the twelve months ended 31 March 2014 due to the acquisition of The Dental Directory in April 2014 and our ongoing programme of practice acquisitions (66 practices were acquired in the twelve months ended 31 March 2015 compared to 60 practices acquired in the twelve months ended 31 March 2014). Cash inflows from financing for the twelve months ended 31 March 2015 were £109.8 million, primarily due to the issuance of the additional Existing Notes in May 2014 and subsequent additional borrowing against our Existing Revolving Credit Facility to finance dental practice acquisitions during the remainder of the year.

Capital expenditures

Net capital expenditures, excluding acquisitions, for the twelve months ended 31 March 2016 and for the twelve months ended 31 March 2015 were £23.5 million and £15.1 million, respectively. Excluding proceeds of £2.7 million arising principally from the sale and leaseback of 12 freehold dental practices (2015: £10.8 million from the sale and leaseback of 43 freehold dental practices), gross capital expenditure increased by £1.0 million, or 3.7% from £25.9 million for the twelve months ended 31 March 2015 to £26.9 million for the twelve months ended 31 March 2016. Gross capital expenditure principally included £6.4 million of costs associated with the continued roll-out of the “mydentist” brand, £4.7 million of costs associated with the refurbishment of acquired practices, and £15.8 million of costs principally associated with the replacement, upgrade and refurbishment of fixtures, fittings and equipment within our existing practice estate, practice merger and relocation projects, and investment in our IT infrastructure across both our patient and practice services divisions. Following the completion of the roll-out of the “mydentist” brand to the majority of our dental practices towards the end of 2016, we expect a portion of the increase in our capital expenditures related to the rebranding to reduce, relative to our revenues, to more typical levels for our business.

In the twelve months ended 31 March 2016, approximately 83% of our capital expenditures constituted maintenance capital expenditures, which we define as capital expenditures excluding acquisitions refurbishments, and approximately 17% of our capital expenditures constituted capital expenditures in connection with acquisitions, or acquisition refurbishments. Within our patient services division, our maintenance capital expenditures constituted 4.4% of our revenue in each of the years ended 31 March 2016 and 2015, respectively.

Our capital expenditures are generally spread through the course of a given year. Following the completion of the roll-out of the “mydentist” brand to the majority of our dental practices during the years ended 31 March 2015 and 2016, we expect our maintenance capital expenditures to reduce, relative to our revenues, to more typical levels for our business. As such we expect to make capital expenditures equivalent to approximately 4% of patient services revenue in the twelve months ending 31 March 2017. Capital expenditure for the twelve months ended 31 March 2017 will primarily consist of equipment and IT systems upgrades and completion of the roll-out of the “mydentist” brand.

Working capital requirements

Our working capital requirements differ between our practice services and patient services divisions. Within our practice services division, net current assets as at 31 March 2016, comprising inventories, trade and other receivables and cash at bank and in hand, less trade and other short term payables, represented approximately 19% of divisional revenue prior to intragroup eliminations, for the twelve months ended 31 March 2016.

Within our patient services division, we do not currently have significant short-term or long-term working capital requirements, as we typically receive payments under our NHS dentistry contracts prior to paying costs related thereto. Payments under our NHS dentistry contracts are made to us by NHS England, with payment of 1/12 the contract value paid at the beginning of each month. We collect the patient contributions on behalf of the NHS and remit such amounts to the NHS in arrears approximately two weeks thereafter. Three to six months following the contract year-end (31 March), we receive a statement detailing each UDA performance under each contract. If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, NHS England may seek to reclaim UDAs paid for but not performed. Any payment of reclamation must be made after the end of the contract year of underperformance. As at 31 March 2016, £33.0 million was held within accruals and deferred income on our balance sheet in respect of UDA receipts which were not delivered during the twelve months to 31 March 2016. We expect to repay the majority of these amounts to the NHS during the course of the twelve months ended 31 March 2017. Changes in our working capital are included in our net cash inflow from operating activities.

Contractual obligations and commercial commitments

The table below sets out our contractual obligations and commitments as at 31 March 2016, as adjusted for the Refinancing.

£ in millions	Less than 1 year	1–5 Years	More than 5 years	Total
Notes	–	–	425.0	425.0
Second Lien Notes	–	–	130.0	130.0
Contingent consideration	5.7	2.9	–	8.6
Operating leases	14.1	49.0	67.5	130.6
Total contractual obligations	19.8	51.9	622.5	694.2

Contingent consideration

Contingent consideration (including earnouts) is payable in respect of certain of our acquisitions based on the performance of the acquired business typically in one to five years following the acquisition. In the case of certain of our acquisitions, additional fees are paid to selling dentists, which represent a portion of the future EBITDA generated by such Acquired Dental Practices above an EBITDA target agreed in the consultancy services agreements entered into in connection with such acquisitions.

Operating leases

Contractual obligations for our operating leases reflect our annual commitments under non-cancellable operating leases, including in respect of premises for rent, vehicles provided to certain members of our management team and various other types of office equipment.

Off-balance sheet arrangements

We are the obligor under a letter of credit issued by Lloyds Bank plc in the amount of £1.8 million to our clinical directors in respect of liabilities they may incur as partners in certain of our dental practices.

Financial risk management

Market risk is the potential loss arising from adverse changes in market rates and consists of risks relating to foreign exchange rates, interest rates and market prices. We are not exposed to market price risk as we do not own assets the value of which is determined by market prices.

Following our acquisition of The Dental Directory, our practice services division is subject to foreign exchange risk related to the purchases of consumables and materials in euros and US dollars. We generate revenue in pounds sterling and, because of this, we are unable to match purchases made using euros or US dollars with revenue generated in these currencies. Our policy is to hedge the pound sterling equivalent costs of a proportion of our foreign currency purchases using ordinary course foreign exchange derivative contracts, in order to reduce uncertainty over future cash flows.

We are exposed to interest rate risk primarily in relation to our debt service obligations, which historically have consisted of obligations under our Existing Floating Rate Notes and obligations outstanding under our Existing Revolving Credit Facility. As adjusted for the Refinancing, as at 31 March 2016 we would have had £280.0 million in financial debt subject to variable interest rates consisting of £150.0 million represented by the Senior Secured Floating Rate Notes and £130.0 million represented by the Second Lien Notes.

In connection with the issuance of the Existing Notes, and to hedge our variable interest rate exposure under our Existing Floating Rate Notes, we amended the terms of our existing interest rate swaps on issue date of the Existing Notes and rolled them into a new £125.0 million interest rate swap with a termination date of 1 June 2017. We intend to roll over the mark-to-market balance on this swap into a new interest rate swap following the Refinancing to hedge our variable interest rate exposure under the Senior Secured Floating Rate Notes. As at 31 March 2016, we estimate the mark-to-market balance owed under our existing interest rate swap to be £2.0 million. The Existing Fixed Rate Notes bear interest at a fixed rate. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

The nature of our contracts with NHS Regions means that consumer credit risk is minimised for a significant proportion of our revenues. Certain of the procedures undertaken by our dental practices may be paid for under payment plans which we contract to Medenta Patient Finance. While we are not exposed to the credit risk under such payment plans, we are required to carry a consumer credit license in respect of the provision of consumer credit. Whitecross holds our consumer credit license, and undertakes all work made pursuant to such payment plans.

Similarly, our practice services division has no significant concentration of credit risk due to the high volume of individual customers that we supply. 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.

Internal controls

The ultimate source of internal controls is our Board. Our Board has delegated to senior management the establishment and implementation of a system of internal controls appropriate to our business. The Board and senior management maintain a strategic risk register to assist in the monitoring of risk across the group and the further development of internal controls. Key controls include the safeguarding of assets; the maintenance of proper accounting records; the reliability of financial information; and compliance with appropriate legislation, regulation and best practice, and are overseen by our independent auditors and our audit committee. At the dental practice level, internal controls are primarily managed by our practice managers and our area and regional managers. In general, the implementation of our internal controls is manual and focused on the prevention of fraudulent UDA claims and the theft of cash. We have previously suffered from breaches of our internal controls that were immaterial to our overall results, including misclaimed UDAs, the theft of petty cash and fraud related to the acquisition of a dental practice.

In our practice services division, controls are focused on the management of inventory, provenance of materials and equipment, including controlled drugs and medicines, and the credit-worthiness of customers.

Critical accounting policies and estimates

Our 2016 Audited IFRS Financial Statements have been prepared in accordance with IFRS and our Audited GAAP Financial Statements have been prepared in accordance with UK GAAP. The preparation of these financial statements in accordance with IFRS or UK GAAP, as applicable, requires us to make estimates and assumptions that affect the amounts of assets and liabilities we report. We continually evaluate our estimates and assumptions and base them on historical experience and other factors, including expectations of future events that we believe are reasonable under the circumstances. Actual results may differ from these estimates. Whilst we do not believe that any of such estimates and assumptions have material implications for our results of operations or financial condition or are material due to a high degree of subjectivity or judgement, the following are significant accounting policies which are determined, to the extent described above, on the basis of estimates and assumptions.

Revenue recognition

Revenue derived from NHS dentistry contracts in England and Wales is recognised based on the volume of dental activity delivered in the financial period, limited to the overall total contract value of the NHS dentistry contract. Revenue 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. Revenue arising from the sale of other goods and services, including dental and healthcare materials or consumables, is recognised at the point that goods are dispatched.

Work required for refurbishments

Any refurbishment of properties in our property portfolio is subject to multiple quotes from external third parties. Additionally, all properties in our property portfolio must meet required regulatory standards. Our property portfolio is managed internally by a property management team and supported by external consultants who review our practices and recommend improvements in meeting regulatory compliance in connection with our properties. Part of our internal central property management support function involves regulatory compliance in connection with our properties. Our property management team also manages a defined capital expenditure cycle and dilapidation schedule in respect of our leased and freehold properties.

Goodwill

Goodwill represents the excess of the fair value of consideration paid on acquisition of a business over the fair value of assets, including any intangible assets identified, liabilities and contingent liabilities acquired.

Goodwill is not amortised but is tested for impairment at least annually. We use forecast cash flow information and estimates of future growth to determine the discount rate for assessing any impairment of goodwill. If our results of operations in future periods are adverse to the estimates used for impairment testing an impairment charge may be triggered.

The fair value of the consideration includes both actual and deferred consideration. Where the deferred consideration is contingent upon the future trading performance of an acquired asset, an estimate of the present value of the likely consideration is made. The contingent deferred consideration is reassessed annually and a corresponding adjustment is made to the goodwill arising on acquisition.

Defined benefit scheme

Details of the principal actuarial assumptions used in calculating the recognised liability or surplus for the defined benefit plans are given in note 31 to the audited financial statements for the twelve months ended 31 March 2016, which are included elsewhere in this offering

memorandum. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this balance in the future.

Deferred tax balances

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for on deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Differences between UK GAAP and IFRS

Our 2016 Audited IFRS Financial Statements have been prepared in accordance with IFRS and our Audited GAAP Financial Statements have been prepared in accordance with UK GAAP. UK GAAP differs in certain significant respects from IFRS. For example, UK GAAP requires that goodwill be amortised over its estimated useful life and tested for impairment annually and if events or changes in circumstances indicate that its carrying value may not be recoverable. In contrast, IFRS prohibits the amortisation of goodwill. Under IFRS, the acquirer must perform a goodwill impairment test annually and if events or changes in circumstances indicate that its carrying value may not be recoverable.

Whilst the 2016 Audited IFRS Financial Statements provide a restatement of our financial condition and results of operations for the twelve months ended 31 March 2015 from UK GAAP to IFRS, no restatement is available for our financial statements for the twelve months ended 31 March 2014, which are based on UK GAAP. Thus, we cannot estimate the net effect that applying IFRS would have had on our results of operations or our financial position for the twelve months ended 31 March 2014.

The differences between UK GAAP and IFRS described in note 37 to the 2016 Audited IFRS Financial Statements are not necessarily differences that have existed throughout the period covered in the financial statements. It is not intended to provide a comprehensive list of all such differences specifically related to us or to the industry in which we operate. IFRS is generally more restrictive and comprehensive than UK GAAP regarding the recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or the notes thereto.

Industry

Overview of the UK healthcare system

Government spending on healthcare in the United Kingdom (excluding pharmaceuticals) for the twelve months ended 31 March 2016 was approximately £138 billion, broadly in line with spending in the previous year in nominal terms. The provision of healthcare in the United Kingdom is dominated by the National Health Service (the “NHS”), a public sector body, and its affiliates. The NHS was founded in 1948 under the principles of universality and equality, to provide publicly funded access to medical care to all residents of the United Kingdom. Despite numerous political, administrative and organizational changes, the NHS remains a universal service that provides healthcare on the basis of need and not on ability to pay. The NHS is funded through taxation and national insurance contributions. Private health insurers and independent providers of healthcare play a comparatively small role in the healthcare sector in the United Kingdom. The UK Office for National Statistics estimated that the independent sector (not-for-profit and for-profit) accounted for approximately 17% of the total healthcare expenditure in the United Kingdom, with the NHS contributing 83%, in each case for the twelve months ended 31 March 2013. Excluding certain prescribed drugs and primary care eye and dental care, which require patient contributions (other than for certain exempt groups) all public healthcare services provided by the NHS are free to the patient at the point of delivery.

Healthcare and health policy for England is the responsibility of the UK Government, whereas in Scotland, Wales and Northern Ireland it is the responsibility of the respective devolved governments. In England, the NHS is supervised by the Department of Health.

The UK healthcare system

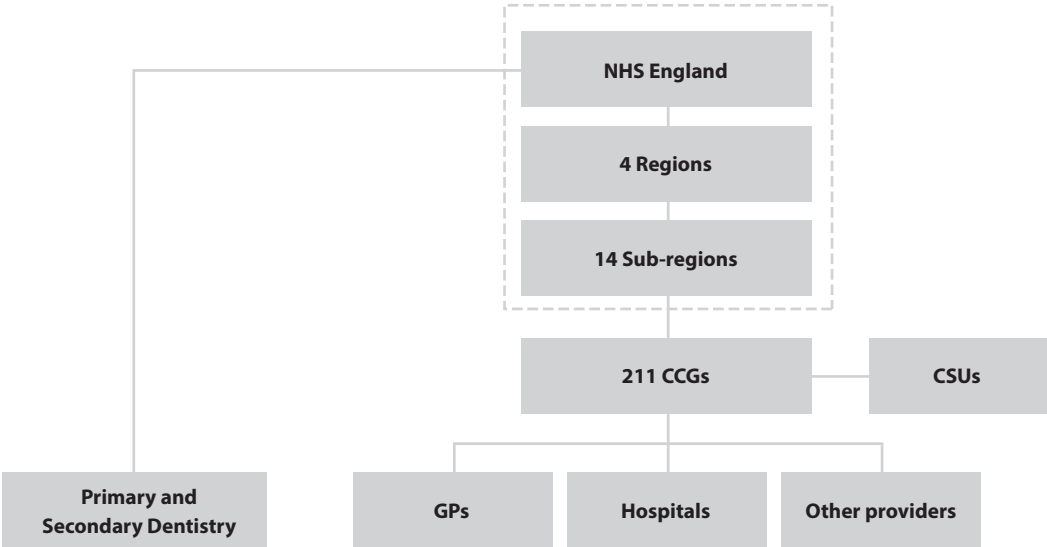
The UK healthcare system is divided into the primary and secondary care subsectors. Primary care consists of routine medical care, check-ups and outpatient medical services. Primary care service providers include general practitioners (“GPs”), dentists, opticians, pharmacists, NHS walk-in centres and NHS Direct (the NHS’s online and telephone health advice and information service). These services are delivered by a wide range of independent contractors on behalf of the NHS, including GPs, dentists, pharmacists and optometrists. Care that goes beyond primary care is referred to as “secondary care” (also known as “acute care”), which consists of hospital-based care and specialised consultative healthcare accessed through referral from a primary or community health professional, such as a GP. Secondary care services include emergency and urgent care, acute care, ambulance services and mental health and elder care services.

Dentistry is essentially a primary care discipline insofar as the vast majority of patient care takes place in an outpatient surgery setting and most treatments are routine and are provided by generalists. Dental treatments beyond the primary level include, amongst others, orthodontics, restorative and paediatric treatments and complicated surgical extractions (both in-patient and out-patient). Primary care dentistry makes up the majority of the total dental market and is weighted towards NHS dentistry services.

NHS

In an effort to reduce costs and modernise the healthcare system, independent healthcare service providers have been permitted to compete and offer their services in certain subsectors of the NHS. Due to capacity and capital constraints, private sector involvement in the NHS has grown. The extent of private sector involvement is determined by the need and willingness of the NHS to outsource these services.

The following diagram presents the NHS organisational structure:



Clinical Commissioning Groups (“CCGs”) and NHS Regions share the responsibilities for commissioning services for their local communities, with NHS Regions acting on behalf of the NHS England (in England) in respect of dental services. The NHS England National Board has regional and local teams to facilitate relationships with providers, but operates as one national body.

NHS Regions play a key role in the oversight of commissioning, maintaining a focus on addressing unequal access to healthcare and ensuring the right balance between consistency and the adoption of national frameworks and localisation. They also support the coordination of some of NHS England’s nationwide initiatives. The NHS Regions in England have direct commissioning responsibilities for GP services, dental services, pharmaceutical services, and certain aspects of optical services, and as such represent the interface for the majority of services at a local level, though the contracting party for such services is NHS England.

NHS Regions and CCGs can commission any service provider that meets NHS standards and costs. These can be NHS hospitals, social enterprises, charities or private sector providers. They must, however, be assured of the quality of the services they commission, taking into account both National Institute for Health and Care Excellence (“NICE”) guidelines and CQC data regarding service providers.

Budget environment

For the twelve months ended 31 March 2016, the UK Government budget for the NHS in England was £101.7 billion. Budgeted expenditure for NHS England for the twelve months ended 31 March 2017 is £106.5 billion, an increase of 4.7%. Following the 2015 election the UK Government pledged to increase expenditure on the NHS by £8 billion by 2020.

Scotland

The Scottish parliament is responsible for dental care and healthcare and has full legislative competence, involving the power to pass both primary and secondary legislation regarding these matters. Other “reserved matters” remain the charge of the UK Government. Public healthcare in Scotland is provided by NHS Scotland, a completely separate body from the NHS in England and Wales. Primary and secondary care are linked and integrated, and services are provided by 14 regional health boards.

As in the rest of the United Kingdom, dental care in Scotland is provided through the GDS, the Salaried Dental Service and the Hospital Dental Service. There are differences in how these services are organized and managed in comparison with England, Wales and Northern Ireland.

Scotland operates a form of the GDS Contract, within a remuneration model of fee-per-item of service, capitation payments and continuation fees. The GDS accounts for approximately 75% of all NHS dental services spending in Scotland. The fees chargeable under GDS remuneration system are principally listed in the Statement of Dental Remuneration. See “Business—NHS framework contracts.”

The UK dental service market

Introduction

The dentistry services market in the United Kingdom is critical to ensuring the oral health of the UK population, with over one million patient contacts per week occurring within NHS dentistry services alone. Oral health is not only important to a patient’s appearance and sense of well-being, but also to overall physical health. According to the World Health Organization, oral diseases are the most common of the chronic diseases worldwide and are important public health problems because of their prevalence, their impact on individuals and society, and the expense of their treatment. Links between cavities and gum disease have been shown to contribute to many serious conditions, such as diabetes, cardiovascular diseases and respiratory diseases, and lead to serious infections.

Residents of the United Kingdom are entitled to receive all clinically necessary dental treatment from the NHS. Primary care NHS dentistry services are available to adults and children without registration in England and Wales from dentists who are contracted to provide NHS dentistry. In Scotland, adults and children must be registered with a dentist to receive treatment.

Dental treatment in the United Kingdom can be either fully funded or part-funded by the NHS or privately funded by the patient (whether directly or through the use of a dental payment plan or insurance). Free NHS dental treatment is available for specified groups of patients who are exempt from payment, such as children, new and expectant mothers, and individuals on certain benefits. In addition, in Scotland all dental examinations are free to the patient. Patients not exempt from payment pay a contribution toward the cost of NHS dentistry services. Patients with low incomes who do not fall into any of the specified groups of patients who are exempt from payment may be entitled to reduced patient contributions.

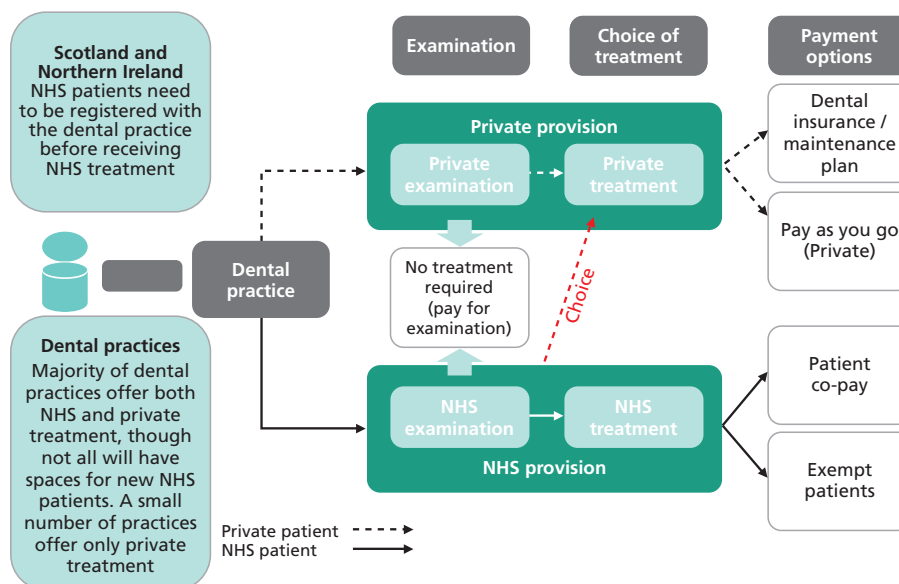
Any treatment needed to keep mouth, teeth and gums healthy and free of pain may be made under NHS dentistry services. In England, this includes dentures, root canals, extractions, crowns and bridges, any preventive treatment needed such as a scale and polish, an appointment with a dental hygienist, fluoride varnish or fissure sealants, the removal of wisdom teeth if necessary, silver-coloured (amalgam) fillings or white fillings where clinically appropriate, and orthodontics for under-18s if considered clinically necessary.

Patients have the option of choosing private dentistry services, NHS dentistry services or a combination of private and NHS dentistry services depending on their preferences. NHS dentistry services are almost exclusively provided by the private sector with the vast majority of dentists practising in primary care settings offering NHS dentistry services or a combination of NHS and private dentistry services, with fewer than 15% of dentists carrying out private dentistry services only. Mintel estimated in June 2016 that approximately 19% of patients received wholly private dentistry care. In contrast to NHS dentistry services, private dentistry services differ in that:

- treatment prices are set by the dentist and are typically more expensive than NHS prices;
- there are no subsidised patients, and patients typically pay the full amount for their treatment at the time of their visit;

- patients receive faster service and the range of treatments, technologies and materials available is unrestricted; and
- private dentists' patient lists are typically half the size of those in NHS practices.

The following diagram presents a typical patient journey for NHS dentistry services and private dentistry services:



Market overview

The market value for dental care in the United Kingdom was estimated by Mintel to be £9.6 billion in the twelve months ended 31 March 2016 having generated £3.84 billion in spending on NHS dentistry services, £3.35 billion on private dentistry services and £2.40 billion on private cosmetic dentistry services, in each case in the twelve months ended 31 March 2016. The NHS funding of NHS dentistry services represents less than 3% of the overall UK Government health expenditure on the NHS.

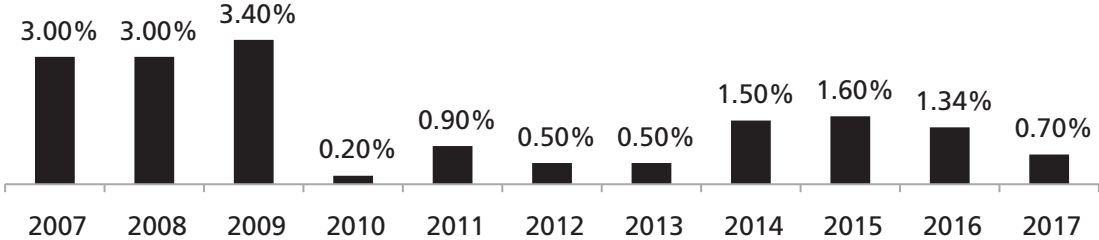
Both the primary care dentistry market and the private dentistry market have seen significant growth, with overall spending increasing by 17% between 2012 and 2016. The economic downturn softened demand for private dentistry in the twelve months ended 31 March 2008 and 2009 as recessionary impacts held back consumer purchasing, with patients shifting from private to NHS dentistry to save on costs. NHS dental expenditure has remained resilient in the downturn and maintained positive nominal growth, with a growth of 4% between 2012 and 2016 in nominal terms. According to Mintel, expenditure on dental care is expected to experience fairly stable levels of growth over the next four years, of between 3.5% and 4.2% per year, and is expected to end the forecast period at £11.6 billion in 2021. Historically, NHS funding for dentistry has not shown a strong correlation to the macroeconomic environment underpinning the stability of the sector throughout economic cycles.

Since the introduction of UDA-based contracts to commission NHS dental services in 2006, UDA volumes and values had increased each year to 31 March 2014. However, estimated NHS data for the twelve months ended 31 March 2015 shows that the number of UDAs delivered in the twelve months ended 31 March 2015 have fallen by 1.7% when compared to the final data for the equivalent period in 2014. This decrease is primarily due to increased NHS scrutiny of claims (which has resulted in dentists spending more time recording notes detailing patient care and thereby resulting in longer appointment times) and performance benchmarks and a decrease in exempt patients as a result of an improving economy.

The government introduced a prototype trial process in October 2015 as the next stage in the proposed reform of the dentistry contract. Under the proposed changes to the current contract frameworks, which we estimate will be implemented, if at all, no earlier than 2019 or 2020, NHS dentistry contracts could combine aspects of the existing UDA-based system, fixed payments for a given level of care time, number of patients treated, clinical outcomes, patient experience and patient safety. We believe that these changes, if they occur, will generally prove revenue neutral, and that we will be able to leverage our scale to derive a competitive advantage in terms of patient recruitment and delivery of quality care under any new NHS dentistry contractual framework.

Approximately 850,000 new patients had access to a NHS dentist in England in the 24 months ended 30 June 2015 compared to the 24 months ended 30 June 2011, driven by the UK Government’s continued commitment to increase access to NHS dentistry. Over the same period, UDA values were steadily adjusted upwards, with a price increase of 1.6% for the contract year ending 31 March 2015, 1.34% for the contract year ending 31 March 2016 and 0.7% for the contract year ending 31 March 2017.

The following chart shows annual UDA contract uplifts from 2007 to 2017:



Supply and demand

According to the General Dental Council, there were approximately 41,000 dentists registered to practice dentistry in the United Kingdom at the end of October 2015. Dental practices are typically either small or medium-sized private businesses owned either by an individual or a partnership of dentists, or are owned by a dental body corporate. Compared to other European countries, the United Kingdom has one of the lowest rates of dentists per capita, with only approximately 500 dentists per one million members of the population. This compares to approximately 670 in France and approximately 800 in Germany.

Access to NHS dentistry services continues to grow; however, according to Mintel, approximately 55.5% of the population accessed NHS dentistry services during the 24 months ended December 2015, substantially below the UK Government’s target access rate of 64%.

Significant efforts have been made by the UK Government to improve the supply of dentists to address historical shortages. These efforts have focused on opening new UK dental schools and expanding enrolment, and attracting more EEA-qualified dentists into the United Kingdom.

Since 2002, there has been an expansion in the number of places available for students at dental schools in the United Kingdom. In England alone, training places increased by approximately 20% between 2004 and 2015, which helped offset the impact of older dentists retiring and resulted in a progressive increase in UK-educated dental graduates from 2009. This was accompanied by a substantial capital investment programme focused on new training facilities, most recently manifesting itself in the opening of two new dental schools in the southwest of England and in Scotland in 2007 and 2008, respectively. According to the General Dental Council, the inflow of dentists from the EEA has continued, with approximately 17% of the dentists registered with the GDC qualified in other parts of the EEA and approximately 11% qualified outside Europe, according to Mintel.

Significant unsatisfied demand for more NHS dentistry services persists, as only 30.2 million patients in England were seen by a NHS England dentist in the 24 months to December 2015, an increase of only 2.1 million over the March 2006 baseline. Overall, 55.5% of the population of England was seen by an NHS England dentist in the 24 months to December 2015. Meeting the UK Government target of 64% would provide access to NHS dentistry to approximately four million new patients in England. Demand continues to be driven by an ageing population and an increased public understanding of the importance of good dental hygiene.

Highly regulated market

As with other healthcare sectors, the UK dental market is a highly regulated market in which dental professionals must be registered with the regulatory body, the General Dental Council, in order to work in the United Kingdom. Since April 2011, the activity of dentists in England has also been subject to regulation by the CQC, which is responsible for ensuring that the care and treatment provided by all dental practices in England meet government standards of quality and safety. See “Business—Regulation.” Under the current contract system the provision of NHS dentistry services is subject to more regulatory oversight than private practice due to the nature of the tendering process and the importance of strong relationships with NHS England.

We believe that the highly regulated nature of the provision of NHS dentistry services provides a competitive advantage to existing market participants, due in part to:

- *Evergreen GDS NHS contracts.* The majority of NHS dentistry contracts are evergreen GDS Contracts with no contracted end date, resulting in a limited number of new NHS dental contracts being put out for competitive tender. NHS contracts are unlikely to be moved to another supplier unless there is significant underperformance. See “Business—NHS framework contracts.”
- *Ability to attract and retain qualified dentists.* Dental qualifications are required to work within a practice and overseas dentists need to go through UK registration processes before they can practice in the United Kingdom. We believe this works to the advantage of larger market participants, like us, who are better able to absorb talent sourcing and retention costs, including in respect of overseas sourcing when necessary.
- *NHS relationships.* The process for awarding UDAs can be lengthy and is often done by tendering to the general market. However, we believe that preferred and existing suppliers with track records of delivering UDA targets have historically been more successful in winning contract tenders. Large-scale suppliers of NHS dentistry services also tend to have strong relationships with NHS England.

Market trends

We believe that there is significant scope for growth in demand for dental services in the United Kingdom as the market remains underdeveloped in terms of both spending and the supply of dentists. Structural growth factors have driven real growth in NHS dental spending over the last decade, and provide strong prospects for continued future growth.

The sector benefits from a number of favourable long-term trends in healthcare generally and dentistry in particular, including, amongst others, an ageing UK population, increased dental health expectations and increasing public understanding of the importance of good dental hygiene, as well as technological advances facilitating access to new treatments to more patients at lower costs.

NHS dentistry is considered a key front-line service of the UK Government. Despite recurring cycles of macroeconomic volatility, NHS volumes and values have both remained stable. Around 40% of the UK population does not visit the dentist on a regular basis, with the majority of this population base receiving dental treatment irregularly and a small proportion never visiting a dentist.

Over the last few years, the UK Government has made substantial investments in increasing capacity in UK dental schools, creating two new dental schools and increasing the number of dental undergraduates in England by approximately 20% between 2004 and 2015 in direct response to increased demand for access to NHS services. The intake for England in the years 2012/2013 was targeted at 901 students and at 809 for the year 2015/2016.

The highly fragmented UK dental market provides considerable scope for consolidation for nationwide operators with the platform and resources to drive consolidation. The consolidation trend in the UK primary care dentistry market is expected to continue over the long term, as existing corporate groups continue to expand.

The UK dental supplies market

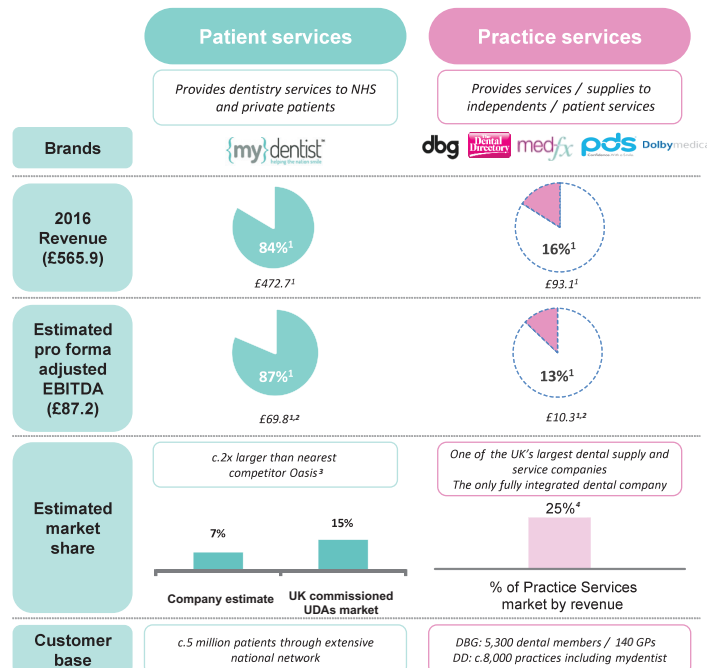
The UK dental supplies market represents an estimated £400-500 million in spending per year and consists of a few key distributors supplying dental consumables and materials to dental practices throughout the UK. Products supplied range from dental consumables, specialist products including orthodontics, oral hygiene, implant products and dentistry equipment such as dental chairs and cabinetry to digital imaging systems. In addition, services offered include equipment installation and maintenance. These distributors primarily sell through field based sales representatives, online and telesales order services.

Business

Overview

We are Europe's largest vertically-integrated dental business and the United Kingdom's number one dental practice chain, with a focus on delivering the best possible patient care, highest clinical standards and a comprehensive choice of treatments through our growing UK dental practice network. We operate our business through two divisions: patient services and practice services. We are the leading provider of dental services in the United Kingdom through our patient services division, with 598 NHS dentistry contracts across our network of 674 dental practices throughout England, Scotland, Wales and Northern Ireland. As at 31 March 2016, our patient services division had a market share of approximately 7% in terms of revenue and a market share of approximately 5% in terms of number of practices and held contracts for approximately 15% of all units of dental activity ("UDAs") commissioned in England and Wales. Our dental practices, operating under the "mydentist" brand, offer a broad range of primary care dental services, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. We are also a leading provider of private dentistry services in the United Kingdom, which has grown quickly as the UK economy has strengthened. We operate in the UK dental market, which benefits from stability in terms of volume and pricing and from favourable systemic trends, including continued government focus on improving access to dental services, favourable demographic trends and an increasing overall spend on dentistry. Through our practice services division, we are a leading supplier of dental and other medical consumables and materials and services (including installation and servicing of specialized dental equipment), selling dental supplies and services to at least 8,000 dental practices, including our patient services division's dental practices, with an estimated market share of 25% in the United Kingdom, by revenue. In the twelve months ended 31 March 2016, we recorded revenue of £565.9 million and generated estimated pro forma adjusted EBITDA of £87.2 million.

The following graphic provides an overview of our operations for the twelve months ended 31 March 2016 (£ in millions):



(1) After intercompany eliminations.

(2) The amount shown represents the proportion of EBITDA before exceptional items generated by our patient services division or practice services division, as appropriate. For a reconciliation of estimated pro forma adjusted EBITDA to EBITDA before

exceptional items, see footnote 2 to “Summary—Summary historical consolidated and pro forma combined consolidated financial information and other data—Other financial data.”

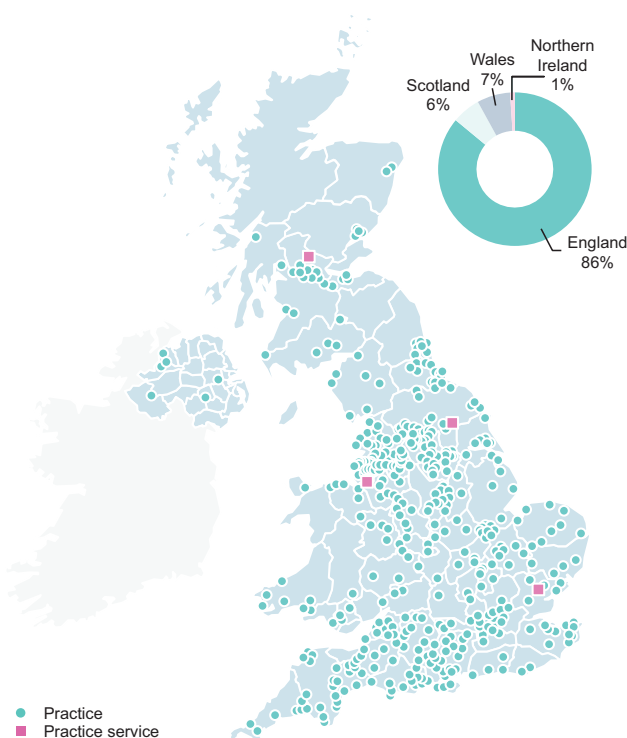
(3) Oasis market shares adjusted to reflect the acquisition of Smiles and Apex dental care.

(4) Excludes laboratories.

Patient services

For the twelve months ended 31 March 2016, our patient services division generated revenue of £472.7 million (constituting 83.5% of our total revenue after intercompany eliminations) and EBITDA before exceptional items of £69.8 million (constituting 87.1% of our EBITDA before exceptional items after intercompany eliminations). Our patient services division’s core business is the provision of primary care dental services under long-term contracts with NHS England in England and Welsh health boards in Wales, which we refer to as “NHS dentistry services.” NHS dentistry services accounted for 68.3% of our group revenue for the twelve months ended 31 March 2016. The majority of our dental practices also provide private dentistry services, including general dentistry, hygienist, and cosmetic services, with a smaller number offering specialist services, such as sedation, implants and orthodontics. Private dentistry services accounted for 15.3% of our group revenue for the twelve months ended 31 March 2016. As the UK economy has strengthened, we have observed an increase in demand for private cosmetic dentistry and revenue from our private dentistry services has grown accordingly, with like-for-like growth of 8.6%, 12.2% and 11.6% for the twelve months ended 31 March 2014, 2015 and 2016, respectively. Of our dental practices, 86% are located in England, with 6% in Scotland, 7% in Wales and 1% in Northern Ireland.

The following map shows the broad footprint of our dental practices across England, Scotland, Wales and Northern Ireland as at 31 March 2016.



We provide NHS dentistry services in England and Wales pursuant to contracts competitively tendered with the NHS specifying targeted annual volumes of UDAs for the contracted dental practice or entity. We refer to these contracts as “NHS dentistry contracts.” Unlike other UK health subsectors, such as care homes, there is no single NHS dentistry contract. Instead, our individual dental practices enter into separate NHS dentistry contracts with NHS England (or, in the case of Wales, with Welsh health boards). As at 31 March 2016, our dental practices were contracted under 598 such NHS dentistry contracts. Each NHS dentistry contract in England and

Wales for UDAs specifies a fixed UDA volume per year target, and each UDA delivered under an NHS dentistry contract is assigned a fixed value in a given year, with the number of UDAs per treatment varying based on the treatment provided. The volume of UDAs under a given contract does not change year-to-year, and the value assigned to a contract has historically increased year-to-year.

Approximately 93% of our NHS dentistry contracts, covering 59% of our revenue in the twelve months ended 31 March 2016, consist of general dentistry services (“GDS”) contracts, which we refer to as “evergreen” as they have no fixed term and roll over indefinitely except in case of repeated UDA underperformance of more than 4% (or 5% in Wales) in any three years, at which point the number of UDAs under an individual contract may be rebalanced or, in extreme cases, the GDS Contract may be terminated. None of our GDS Contracts have ever been terminated. UDA rates are set annually and historically have benefited from annual price increases (“contract uplifts”), with the contract uplift for the contract year ending 31 March 2016 constituting a 1.34% increase over the prior contract year for England (with an uplift of 1.34% in Wales and 1.60% in Scotland). In the last 15 years, NHS England has never reduced annual prices, and for the contract year ending 31 March 2017, NHS England has announced a 0.70% uplift (1.00% in Wales) in prices.

Since the contract year ending 31 March 2011, our five-year average for UDA delivery rates (that is, the percentage of contracted services actually delivered) under NHS dentistry contracts is 96.8%. In the contract year ending 31 March 2016, our UDA delivery rates decreased to 92.4%, due to short-term, industry-wide factors, including increased NHS scrutiny of claims (which has resulted in dentists spending more time recording notes detailing patient care and thereby resulting in longer appointment times) and performance benchmarks and a decrease in exempt patients (such as individuals on state benefits) as a result of the improving UK economy. While some of this decrease in productivity under NHS dentistry contracts has been offset by growth in the provision of private dentistry services and in the NHS dentistry contract price uplifts, we are also actively taking measures to recover UDA performance, including providing training to dentists to improve UDA productivity through improved diary and claims management, working with dentists to increase their working hours and refocusing our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%. Each 1% increase or decrease in UDA delivery equates to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items. The effect on our contracted UDAs has also been limited—on a net basis including new contract wins, our contracted UDAs reduced by only 0.5% for the twelve months ended 31 March 2016. Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items.

We are paid for our NHS dentistry services in equal monthly instalments of our annual contracted value. This results in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying related costs. Any underperformance in terms of UDA delivery must be repaid, where requested, to the NHS after the contract year end, or repaid over subsequent contract years. We have never had to make a repayment of more than £2 million to the NHS in respect of any single contract. Private dentistry services are typically paid for by the patient at the point of treatment.

A typical dental practice for us has four dental chairs on average, with three or four self-employed, independently contracted dentists offering primary care dental services under an NHS dentistry contract, supported by three nurses employed by us. As at 31 March 2016, more than 2,600 self-employed, independently contracted dentists worked in our dental practices, supplemented by approximately 200 dentists not assigned to a single practice, which we refer to as “locums,” and supported by approximately 6,700 dental and central support staff. In addition, 463 hygienists work across our dental practices.

We own the NHS dentistry contracts and infrastructure of our dental practices and employ the dental support staff, whilst contracting with self-employed dentists for provision of dental services. We believe our business model is attractive to dentists as we enable dentists to focus on dentistry by taking on the administrative, regulatory and compliance burdens associated with running a dental practice. Amongst our most significant costs are dentist fees and costs for laboratory work and materials, all of which are directly linked to volumes of sales and activity. In part as a result of the establishment of our practice services division, we centralise and insource the procurement of equipment and materials used in our patient service division's dental practices to generate economies of scale and lower our costs. Our patient services division's dental practices purchase their dental consumables, materials, equipment installation, maintenance and engineering work, as well as any other products that our practice services divisions offers, internally.

Practice services

Our practice services division is one of the two leading suppliers in the United Kingdom's fragmented dental consumables, materials and services markets, with an estimated market share of 25%. For the twelve months ended 31 March 2016, our practice services division had revenue of £93.1 million after intercompany eliminations (constituting 16.4% of our total revenue after intercompany eliminations) and EBITDA before exceptional items of £10.3 million (constituting 12.9% of our EBITDA before exceptional items after intercompany eliminations). Our practice services division provides support to our patient services division's dental practices, as well as providing a wide range of products and services to the wider UK dental and healthcare sectors, including at least 8,000 dental practices in the United Kingdom. The integration of our patient services division's dental practices with its supply chain and service providers in the practice services division has resulted in significant cost savings and synergies, as we capture margin that would otherwise be paid to third-party suppliers and benefit from certain VAT exemptions. Our practice services division also provides us with an additional avenue for growth beyond the acquisition of dental practices, and we intend to consider opportunistic acquisitions to continue to expand the offerings of our practice services division.

The following table provides information about the businesses that we have acquired which form our practice services division:

Name	Acquisition Year	Business
Dental Buying Group ("dbg")	2013	Supplier of dental equipment, services, training and supplies
The Dental Directory.	2014	Distributor of dental consumables and materials to dental practices throughout the United Kingdom
Med-FX.	2015	Supplier of facial aesthetic products
PDS Dental Laboratories Leeds	2016	Leading dental laboratory
Dolby Medical	2016	Medical supplies and equipment servicing business based in Scotland

We have consolidated dbg, the Dental Directory and Med-FX to distribute their catalogue of approximately 25,000 products from a central logistics platform through an online and telesales order service. The products offered by our practice services division include dental consumables, specialist products including orthodontics and oral hygiene and implant products and dentistry equipment ranging from dental chairs and cabinetry to digital imaging systems. As we integrate the acquisition of PDS Dental Laboratory Leeds, we will seek to insource much of the laboratory work required by our patient services division's dental practices. Our practice services division also carries out services such as installation and maintenance of specialised dentistry equipment (such as its hand piece repair business), training and membership services. Our practice services

division also includes our academy, a dentist training centre and online training initiative for continued professional training of dentists, hygienists and nurses that we launched in 2013. Our academy is the first major private post-graduate dental training facility owned by a dental body corporate in the United Kingdom, and it demonstrates our ongoing commitment to our dentists and support staff.

Competitive strengths

Our business benefits from a number of competitive strengths, including the following.

Large and stable market with attractive characteristics

Our patient services division's core NHS dentistry services market is a large and stable market that has averaged growth in terms of expenditure of approximately 5% per year on average from 1998 to 2013 in nominal terms. For the twelve months ended 31 March 2016, the UK dental care market was estimated by Mintel to have generated £3.84 billion in expenditure on NHS dentistry services, £3.35 billion in spending on private general dentistry services and £2.40 billion on private cosmetic dentistry services, having grown by a cumulative 17% since the twelve months ended 31 March 2012. Approximately 30 million patients received dental care under the auspices of the NHS in England during the two years ended 30 June 2015. The NHS dentistry services market benefits from stability in terms of both volume and pricing, with approximately 59% of our revenue in the twelve months ended 31 March 2016 covered by evergreen GDS Contracts, and with a track record of historical increases in nominal UDA values. Whilst the economic recession of 2008 to 2009 resulted in a decline in demand for private dentistry services owing to increased unemployment and a reduction in discretionary spending, demand for the more affordable NHS dentistry services increased. On the other hand, an improving UK economy typically benefits private dentistry, as more patients purchase self-funded private dentistry services, such as white fillings and teeth whitening.

Unlike other UK healthcare subsectors, such as mental health and private acute medical care, there is little risk of insourcing of dental services by internal NHS providers, as we estimate 95% of all NHS dentistry is provided by the private sector (both corporate-owned and independent practices). Nor is dentistry a large target for government austerity measures, constituting approximately 3% of the total NHS operating expenditures in the twelve months ended 31 March 2015. In nominal terms, funds allocated by the UK Government for dentistry have generally increased since 1998, and we believe that funding for NHS dentistry is likely to grow at or above inflation given systemic demand in the foreseeable future. The UK Government considers dentistry a key front-line service and has announced a goal of increasing access to dentistry to 64% of the population. We believe we are well-positioned to benefit from the UK Government's focus on growth in dentistry access, as well as from favourable demographic and consumer trends, such as an aging population and increased understanding of the importance of good dental hygiene.

Leading provider of dental services and dental and other medical consumables, materials and services in the United Kingdom, with unparalleled scale and geographic diversity in terms of dental practices

We are the leading provider of dental services in the United Kingdom through our patient services division and a leading provider of dental and other medical consumables, materials and services in the United Kingdom through our practice services division. As at 31 March 2016, our patient services division has a market share of approximately 5% in terms of number of dental practices in the United Kingdom, and a market share of approximately 7% in terms of revenues, with approximately 15% of all UDAs commissioned in England and Wales for the twelve months ended 31 March 2016. With 598 NHS dentistry contracts, 674 dental practices, more than 2,600 dentists, and our footprint across England, Scotland, Wales and Northern Ireland, we are well diversified within the UK dental market, and not dependent on any single contract, practice or

region. We focus predominantly on NHS dentistry services, which generated 68.3% of our revenue for the twelve months ended 31 March 2016 and drives our market leadership. We are also a leading provider of private dentistry services in the United Kingdom, with an estimated market share of approximately 2.6% in terms of revenue for the twelve months ended 31 March 2016. Through our practice services division, we supply dental and other medical consumables, materials and services in the United Kingdom, with an estimated market share of 25% (excluding laboratories). Our strong industry presence and reputation make us an important partner for the NHS in respect of dental and orthodontic services.

Strong track record of growth driven primarily by dental practice acquisitions

We have an established platform for further targeted growth through NHS dentistry contract and dental practice acquisitions, having acquired 232 dental practices in the period from 11 May 2011 to 18 July 2016. We employ a disciplined acquisition strategy honed over the last 20 years and centred on the acquisition of practices with NHS dentistry contracts with three or more chairs. We buy practices to acquire their evergreen GDS Contracts, with a focus on the acquired practices' historical UDA delivery rates, the retention of key personnel and complementary private revenue generation. In particular, we have refocused our acquisition strategy on acquiring dental practices that have consistently delivered 96% or more of their contracted UDAs each year. As we are buying contracted revenues paid monthly, we receive an immediate revenue impact from the dental practices we acquire due to the fact that such practices are already operational. Our experienced acquisitions team manages the acquisition pipeline, generating leads for the majority of the acquisitions we make. Once a practice is acquired, our integration team works to deliver synergies in procurement and back-office cost savings.

On a portfolio basis, we believe the EBITDA projections resulting from our acquisitions team's due diligence have been generally in line with post-acquisition results, and acquired practices have generally enjoyed EBITDA consistency before and after their acquisition by us. We believe our due diligence methodology produces accurate results and allows us to acquire dental practices at competitive multiples of EBITDA valuations as (i) we know the number of contracted UDAs, (ii) UDA delivery percentage and private revenue generation tend to maintain consistency, (iii) dentist costs are contracted and (iv) we are able to apply our known cost base to the dental practices we acquire.

With 13,815 dental practices according to Mintel, the large majority of which are independent, the UK dental market is highly fragmented, and we believe there is scope for additional consolidation as dentists retire or sell their dental practices to become independent contractors due to the administrative, regulatory and compliance burden of owning their own dental practice. As a consequence, we have typically acquired 40-60 dental practices per year, with such acquisitions, as well as acquisitions in our practice services division, generating incremental EBITDA of £7-10 million per year in aggregate on average, though the number of practices we acquire each year may decrease as we refocus on practices with UDA delivery of at least 96% at acceptable EBITDA multiples. We believe that as the leading provider of dental services in the United Kingdom, we make an attractive purchaser for a dentist selling his or her practice, as we allow dentists to focus on dentistry by taking on the administrative, regulatory and compliance burdens associated with running a dental practice. We also grow organically through our private dentistry services offering. In addition, organic growth has benefited from new builds, greenfield projects and new NHS dentistry contract wins.

Our practice services division provides us with an additional avenue for growth beyond the acquisition of dental practices, and we intend to consider opportunistic acquisitions of high-quality suppliers of dental and other medical consumables, materials and services to continue to expand the offerings of our practice services division.

Stable, primarily evergreen NHS-contracted revenue base with high revenue visibility

Our patient services division benefits from a predominantly evergreen contractual base, which provides high visibility for our revenues. Of our group revenue, 68.3% for the twelve months ended 31 March 2016 was contracted with the NHS. Approximately 93% of our NHS dentistry contracts, covering 59% of our revenue in the twelve months ended 31 March 2016, consisted of GDS Contracts that roll over indefinitely except in cases of repeated UDA underperformance of more than 4% (or 5% in Wales). We have averaged total UDA delivery rates on our NHS dentistry contracts (including amounts carried forward and new contract wins) in excess of 96% over the contract years between 2008 and 2015, and none of our GDS Contracts have ever been terminated. In the contract year ending 31 March 2016, our UDA delivery rates decreased to 92.4%, due to short-term, industry-wide factors, including increased NHS scrutiny of claims (which has resulted in dentists spending more time recording notes detailing patient care and thereby resulting in longer appointment times) and performance benchmarks and a decrease in exempt patients as a result of the improving UK economy. While some of this decrease in productivity under NHS dentistry contracts has been offset by growth in the provision of private dentistry services and in the NHS dentistry contract price uplifts, we are also actively providing training to dentists to improve UDA productivity, through improved diary and claims management, working with dentists to increase their working hours and refocusing our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%. Each 1% increase or decrease in UDA delivery equates to an increase or decrease of approximately £1.6 million in EBITDA before exceptional items. The effect on our contracted UDAs has also been limited—on a net basis including new contract wins, our contracted UDAs reduced by only 0.5% for the twelve months ended 31 March 2016. Because unclaimed UDAs result in foregone revenue in a period, but not necessarily a loss of potential revenue for future periods, we expect any future improvement in UDA delivery to result in a corresponding increase in EBITDA before exceptional items.

Nor are these contracts subject to administrative change—in England and Wales the basis for our contracts may only be changed pursuant to a statutory instrument laid before Parliament. Since UDAs were introduced in 2006, UDA rates have historically benefited from annual contract uplifts, with an uplift of 1.34% for the contract year ending 31 March 2016 (with an uplift of 1.34% in Wales and 1.60% in Scotland). In the last 15 years, NHS England has never reduced prices, and for the contract year ending 31 March 2017, NHS England has announced a 0.70% uplift (1.00% in Wales) in prices. Our contracted volumes under evergreen GDS Contracts, combined with the historical uplifts in UDA rates in nominal terms, provide us with a high degree of revenue visibility. At the beginning of each month we receive 1/12 of the annual contracted value of our NHS dentistry contracts, resulting in a well-matched cash flow and cost profile as we typically receive payments on our NHS dentistry contracts prior to paying related costs. Our contracts—which we typically hold through our subsidiaries and operating partnerships, not our dentists—are a barrier to entry, as NHS dentistry services in England may only be provided under a NHS dentistry contract. Moreover, we believe we also benefit from our scale and industry presence when tendering to acquire new NHS dentistry contracts. The resilience of our results have benefited from our focus on our core NHS dentistry services, as NHS dental expenditures have remained stable throughout recent economic downturns, whilst demand for private dentistry services has demonstrated degrees of cyclicity.

A dentistry brand with national scale

We began rolling out our “mydentist” brand at the end of 2015 as a way to increase brand identification and to expand dentistry as a retail proposition. As at 31 March 2016, we had rolled out the “mydentist” brand to 418 of our dental practices. No other dentistry brand in the United Kingdom has the same scale in terms of number of practices as “mydentist.” Dentistry in the United Kingdom has historically been less consumer-oriented than other high street healthcare providers such as opticians and pharmacists. The goal of rebranding is to attract new patients and clinicians and to differentiate us from our competitors. Our rebranding campaign is

also intended to improve the in-practice customer journey and to facilitate upselling and cross-selling of our dentistry services across our business. We have combined our rebranding as “mydentist” with expanded local marketing, call centre support, an expanded presence online, including via our website (where customers can now book and amend appointments online), text message reminders of appointments and social media. In addition, we are also piloting regional television advertising. Initial results from our rebranding have been encouraging with increased new patient registrations, growth in private dentistry services and improved patient feedback recorded across our branded practices.

Variable cost base directly linked to sales volume, with low rental expense and economies of scale

We estimate that up to 70% of our patient services division’s costs are variable and tied to sales volumes and activity. Dentists working in our practices are self-employed, independent contractors who pay us a notional licence fee and receive a fixed rate per UDA delivered, in the case of NHS dentistry services, and a percentage of fees paid for private dentistry services delivered. We negotiate dentist contracts on an individual basis and believe that dentists’ interests are strongly aligned with ours to maximise dental activity and UDA delivery. We are also able to efficiently deploy our dentists, hygienists and nurses across dental practices as needed, providing us an advantage in terms of productivity generated from our fixed costs over that of our smaller competitors. Costs paid for laboratory work, which we generally split evenly with dentists, and materials are also linked to dental activity performed. The scale of our patient services division provides us with advantages over our smaller competitors. We centralise and insource support functions that would otherwise be borne by dentists, including information technology (“IT”), compliance, regulatory requirements, property and equipment maintenance, legal, finance, human resources, health and safety, risk management, talent sourcing, training, marketing, insurance and logistics. In addition, we benefit from low property costs, with rent costs constituting less than 3% of our revenue in the twelve months ended 31 March 2016, and favourable lease dynamics due to the nature of the properties we rent. We have relatively low property maintenance costs, which we closely manage through a central estate management function and, as we provide NHS dentistry services, most of our rates (including UK business property taxes) are reimbursed by the NHS.

Vertically integrated business model

We are active in both the provision of dental care to patients through our patient services division and the provision of consumables, materials and services to dental practices, including those in our patient services division, and their suppliers through our practice services division. We have integrated dbg, The Dental Directory and Med-FX, and are in the process of integrating PDS Dental Laboratories Leeds and Dolby Medical, into a single, full-service provider of dentistry-related supplies and services, both branded and non-branded, to our patient services division’s dental practices as well as to third-party dental practices and the wider healthcare sector. This vertically-integrated business model linking our patient services division’s dental practices to our practice services division’s suppliers has resulted in significant cost savings and synergies, as we capture margin that would otherwise be paid to third-party suppliers and benefit from certain VAT exemptions.

Strong financial performance with high levels of cash conversion

We have historically demonstrated an ability to maintain stable performance in EBITDA before exceptional items and EBITDA margins that we believe are in excess of those of our primary competitors. During the twelve months ended 31 March 2016 and 2015, we generated EBITDA margins of 14.2% and 14.4%, respectively. Our estate of dental practices across the United Kingdom is consistently profitable, with 97% of our dental practices’ EBITDA before central costs and exceptional items positive, with an average EBITDA before central costs and exceptional items per practice of £179,000 for the twelve months ended 31 March 2016. Our top 200 dental practices generated approximately 58% of our EBITDA before exceptional items, and

only 19 of our practices were loss-making, in each case for the twelve months ended 31 March 2016. Due in part to our low levels of maintenance capital expenditures and movements in working capital (3.9% and 3.2%, respectively, of revenue in the twelve months ended 31 March 2016), we have historically maintained high levels of cash conversion. Because we are paid 1/12 of the annual value of our NHS contracts at the beginning of each month, we have a well-matched cash flow and cost profile as we typically receive payments on our NHS contracts prior to paying related costs. This cash flow profile also means that the NHS-contracted practices we acquire are immediately cash positive for us. Following the completion of the roll-out of the “mydentist” brand to the majority of our dental practices towards the end of 2016, we expect a portion of the increase in our capital expenditures related to the rebranding to reduce, relative to our revenues, to levels more typical for our business. As such we expect to make capital expenditures equivalent to approximately 4% of patient services revenue in the twelve months ending 31 March 2017.

Strong and experienced management team and shareholder support

We believe our senior management team is well-positioned to deliver growth, with a proven record in the healthcare services sector and the ability to create value through acquisitive integration and practice rollouts. Our senior management team is led by our CEO, Terry Scicluna, who has extensive experience in UK healthcare and retail experience and in managing multi-site businesses. Mr. Scicluna is supported by CFO Mark Robson and a strong team of executives, including our other key personnel in clinical services, acquisitions, IT, property, finance and legal services. Our board of directors includes Mr. Barry Cockcroft, the former Chief Dental Officer for England, who acts as a non-executive director. We believe management incentives are aligned with our long-term goals, with a broad base of management holding a sizeable equity stake of 15.9% in EquityCo. We also benefit from the extensive market expertise, business relationships, and ongoing strong support of our shareholders, Carlyle and Palamon.

Our strategy

Maintain core NHS focus

We intend to maintain our patient services division’s core focus on providing high-quality NHS dentistry services under NHS dentistry contracts to drive continued strong results, while also continuing to grow our private dentistry services business and our practice services division. We expect to maintain and expand our NHS-contracted revenue base by delivering higher levels of UDA performance under our predominantly evergreen NHS dentistry contracts and by acquiring contracted revenues through the acquisition of new practices. We also expect to grow our NHS dentistry services through new contract wins and greenfield projects, and to build on our strong industry presence and reputation for the provision of consistent, high-quality service.

Maintain and grow our patient services division’s market-leading position by providing high-quality services and support to key stakeholders

We intend to maintain the market-leading position of our patient services division by continuing our focus on the key stakeholders in our NHS dentistry services, namely our patients, dental professionals, and the NHS and other regulators. Excellent patient care is our first priority, and we aim to continue to capitalise on improved customer feedback by combining our provision of consistent, high-quality dental care with more flexible and convenient services, such as online appointment booking, text message reminders and more-convenient opening hours. We are also leading industry efforts to improve clinical excellence and provide practice transparency. We believe our business model is attractive to dentists as we allow them to focus on dentistry by taking on the administrative, regulatory and compliance burdens of dental practices. We intend to utilise our scale to attract and retain self-employed dentists and hygienists and our employee nurses. We have built and will continue to refine our centralised talent sourcing function, which benefits from the Academy, a dentist training centre and online

training initiative for continued professional training of our dentists, hygienists and nurses which we launched in 2013. The employment of KPIs and centralised management systems improve visibility of dentist performance and drive UDA and private revenue delivery. We are also focused on retaining and training our hygienists and nurses, who provide critical elements of our dental services. The market-leading position of our patient services division benefits our reputation and our relationships with the NHS, the CQC, the GDC and other regulators. We intend to maintain our reputation and these relationships through continued consistent achievement of UDA delivery, thereby ensuring NHS dentistry contract retention and solidifying our revenue base. We actively seek dialogue with our partners at the NHS, the CQC and other regulators, and plan to continue to proactively participate in NHS pilot programmes to prepare for and advocate regulatory reforms.

Pursue an active, disciplined growth strategy of purchasing NHS practices with contracted revenues, complemented by selective private and specialist acquisitions and acquisitions to grow our practice services division

We intend to continue to pursue a strategy of expanding our contracted revenue base by selectively acquiring dental practices and their evergreen NHS dentistry contracts. With 13,815 dental practices according to Mintel, the large majority of which are independent, the UK dental market is highly fragmented, and we believe that there is scope for additional consolidation as dentists retire or sell their dental practices to become independent contractors due to the administrative, regulatory and compliance burden of owning their own dental practice. Whilst we maintain our focus on acquisitions in our core NHS dentistry services business, we also intend to opportunistically acquire practices with private dentistry services within our patient services division. We will also seek opportunities to acquire specialist suppliers and services that complement our core NHS dentistry services such as The Dental Directory, dbg, Med-FX, PDS Dental Laboratories Leeds and Dolby Medical. We aim to continue to improve and refine our acquisition processes to continue to improve deal conversion rates and reduce due diligence and acquisition timelines. In particular, we intend to refocus our acquisition strategy on acquiring dental practices that have consistently delivered 96% or more of their contracted UDAs each year. Whilst our ability to verify contracted revenues and contracted costs gives us high visibility of target dental practices' future performance, we intend to continue refining the accuracy of our due diligence and post-acquisition results. Further, we aim to efficiently integrate acquired practices into our estate so that they benefit from the economies of scale enjoyed by our other practices.

Continue to strengthen profitability through operational excellence and economies of scale

Whilst we differentiate our patient services through the provision of consistent, high-quality dental care to our patients, we believe that we are also able to drive cost synergies by standardising, simplifying and sharing systems and best practices across our group. We intend to drive patient numbers through postal and SMS marketing programmes, through investments in customer relationship management ("CRM") technology and through improved online interaction with our patients. We also plan to increase chair time available to dentists, and thereby our revenues, and limit the range of our future equipment maintenance requirements through a results-focused equipment replacement programme across our estate. Our initiatives aimed at centralising and insourcing IT, talent sourcing, training, estate management, compliance and health and safety and other functions across our estate will continue to drive efficiency, and we intend to lower costs by using our scale to negotiate volume discounts in supply chain sourcing and procurement, which also benefit from our practice services division. At the same time, we intend to leverage the returns from our central costs to grow our revenues by investing in high-quality personnel, processes and IT. As part of our effort to exploit economies of scale, we also intend to continue to merge the smaller practices which we acquire into practices in our existing estate.

Complete the “mydentist” rebranding to attract new customers, increase brand identification and expand our dentistry offering as a retail proposition

We expect to complete the roll-out of our “mydentist” brand to the large majority of our practices toward the end of 2016. By transforming our business into a nationally-recognised dentistry brand, we intend to attract new customers, increase customer and clinician satisfaction, promote our NHS and private dentistry services and differentiate ourselves from our competition. We aim to deliver a consistent customer experience that reinforces our brand and helps to drive sales, and have implemented new training programmes for clinicians, implemented an online booking system and extended our trading hours to achieve this. In addition, we have sought to improve the environment within our dental practices by redecorating and refurbishing waiting room areas. We are also aiming to expand our dentistry offering in order to become a one-stop-shop for all of our customers’ dental requirements. For example, in connection with the rebranding we have partnered with Colgate in a joint promotion effort to sell Colgate dental products in our “mydentist”-branded practices.

Grow our practice services division by targeting the demand for consumables, materials and services from independent dental practices and adjacent healthcare markets such as GPs and veterinarians

The 13,815 dental practices in the United Kingdom spend an estimated £400-500 million per annum on dental materials, equipment and services. These dental practices are served by a broad cross-section of small-to-mid-size vendors, none of which provides a fully vertically integrated, one-stop shop covering all materials, equipment and services. We believe our practice services division is well-positioned to take advantage of the opportunity that this presents as the businesses that we have acquired, The Dental Directory, dbg, Med-FX, PDS Dental Laboratories Leeds, Dolby Medical, offer a platform capable of serving a significant proportion of dentists’ direct and indirect materials, equipment and services needs. Recently, for example, our practice services division won re-tenders for the supply of medical consumables and materials to NHS Scotland and NHS Supply Chain, the logistics and supply organisation for NHS England. Our acquisition of PDS Dental Laboratories Leeds will allow us to insource more of the laboratory work of our patient services division’s dental practices. We also believe that the market for supplying consumables, materials and services to adjacent healthcare segments such as GPs and veterinarians is significantly larger, and presents a growth opportunity for our practice services division. To that end, we intend to continue to consider opportunistic acquisitions to expand the offering of our practice services division.

Drive organic growth through private dentistry services

The private general dentistry market had £3.35 billion (or approximately 35%) of all spending on dentistry for the twelve months ended 31 March 2016, according to Mintel. Revenue from private dentistry represents only 15.3% of our total revenue and we had 2.6% of the private general dentistry market share in terms of revenue for the twelve months ended 31 March 2016. As a result, we believe the private dentistry market represents an opportunity for us to expand our patient services division and offset recent industry-wide headwinds in the provision of NHS dentistry services. To realise this opportunity, we have developed a strategy designed to drive growth in private dentistry, which includes rebranding from IDH to “mydentist,” and continuing to attract and retain specialists, such as domiciliary, sedation, oral surgery and orthodontics specialists. In addition, we plan to increase our focus on cross-selling and up-selling private treatments, and have undertaken training with our dentists to that end. We also intend to boost our private dentistry business through the introduction of new specialty products and services, such as facial aesthetics, which provides us with a cross-selling opportunity for our Med-FX line of products. We believe this strategy has already improved our performance in the private dentistry market, with our like-for-like private dentistry revenue for the twelve months ended 31 March 2016 increasing by 11.6% over that in the twelve months ended 31 March 2015.

Opportunistically expand into secondary care and other adjacent dentistry markets

Whilst the core focus of our patient services division has been on the UK primary care dental market, we also intend to grow and continue to explore the significant opportunities in the secondary care market and other adjacent segments. The secondary care market (also known as “acute care”) for dentistry services consists of hospital-based inpatient and outpatient care and specialised consultative care accessed through a referral from a primary care dentist, including oral pathology and maxilla facial surgery services. The secondary care market constituted approximately £0.8 billion (or approximately 13%) of spending on dentistry in the United Kingdom for the twelve months ended 31 December 2014. The Department of Health is seeking to outsource a number of secondary care dentistry services, including sedation and minor oral surgery. We have had success in winning tenders for these services in a number of practices in which we have suitably located and qualified clinicians, and we intend to continue to pursue these tenders as opportunities arise. We are also exploring opportunities for other types of dentistry services in adjacent segments of the dentistry services industry, such as in prisons (where we have one contract in place), nursing homes and for the Ministry of Defence.

History

The predecessor company of our group was founded by a practising dentist in 1996. It listed on the Alternative Investment Market of the London Stock Exchange in 2002 and delisted in 2004. In 2006, it was acquired by Legal & General Ventures and was subsequently sold to Merrill Lynch Global Private Equity in 2008. On 11 May 2011, we were acquired by Carlyle and Palamon and were simultaneously merged with Associated Dental Practices, which owned 133 dental practices at that time. Associated Dental Practices was founded in 1985 by a group of dentists and experienced rapid expansion through both organic growth and acquisitions. Associated Dental Practices was acquired by Kaupthing Capital Partners in 2007 and was subsequently sold to a consortium led by Palamon in 2009.

In 2013 we formed our practice services division with the acquisition of dbg, which was followed by the acquisitions of The Dental Directory in 2014, Med-FX in 2015 and PDS Dental Laboratories Leeds and Dolby Medical in 2016.

We have expanded significantly through both acquisitions and organic growth, and we have gradually consolidated our position as the leading provider of dental services and a leading supplier of dental and other medical consumables, materials and services in the United Kingdom.

Patient services – “mydentist”

We are the leading provider of dental services in the United Kingdom by revenue. Our dental services consist primarily of primary care NHS dentistry and private dentistry services. We are not currently active in the secondary care dental services market. Our NHS dentistry and private dentistry services accounted for 68.3% and 15.3%, respectively, of our group revenue in the twelve months ended 31 March 2016.

As at 18 July 2016, we had a network of 674 dental practices in the United Kingdom, which provide both NHS and private dentistry services. More than 80% of our dental practices have three dental chairs or more and on average we have approximately four dental chairs per dental practice. A typical dental practice for us has three to four self-employed, independently contracted dentists offering primary care dental services under an NHS dentistry contract, supported by three to four nurses employed by us. In addition, 463 hygienists work across our practices, the majority of whom are self-employed, independent contractors.

In the twelve months ended 31 March 2016, our top 200 dental practices generated approximately 58% of our EBITDA before exceptional items and support centre costs. In the twelve months ended 31 March 2016, 97% of our dental practices generated positive EBITDA

before support centre costs and exceptional items. 19 of our dental practices made an aggregate loss in the twelve months ended 31 March 2016. We are focused on improving the performance of the minority of our dental practices that is loss-making, including by marketing these dental practices to new and lapsed patients.

Our patient services division focuses on leveraging its economies of scale and offering services and support to its dentists and dental practices by assuming many of the administrative responsibilities associated with running a dental practice as well as centralising and insourcing those administrative responsibilities to our central support function.

NHS dentistry services

We provide the majority of our dental services to NHS patients through NHS dentistry services. In the twelve months ended 31 March 2016, revenue generated by our NHS dentistry services was £386.4 million, or 68.3% of our total revenue. We provide primary care dental services such as dental examinations, periodontal treatment, amalgam fillings, endodontics and extractions, as well as fitting bridges, crowns and dentures. Our dentists also provide advice on how to care for teeth and gums in order to prevent oral health problems.

Our dentists have a duty of care to offer and carry out all treatments that are within their professional capabilities, and they refer patients to appropriate specialised dentists both within and outside of "mydentist" dental practices if a specific dental service is outside their capabilities. However, during the course of a treatment, NHS patients can choose to receive private dentistry services offered by the same dentist.

Our NHS dentistry services are funded by the NHS, and by fixed patient contributions depending on whether or not such person is exempt, and varying in amount based on the type of treatment. The patient contribution is set by the NHS and revised annually. Patients contribute to the cost of NHS dentistry services on the basis of the type of services they receive, with the balance of payments paid by NHS England, so there are no material billing requirements vis-à-vis NHS dentistry payments. The full amount is contributed by the NHS where patients are exempt from payment. Exempt patients include students under 19 years of age, the unemployed, new and expectant mothers and pensioners. In addition, certain low income patients may be entitled to partial exemptions, depending on their income. Exempt patients tend to receive treatments with a higher UDA band mix greater than that for non-exempt patients.

Private dentistry services

We provide our private dentistry services to both NHS patients and non-NHS patients. In the twelve months ended 31 March 2016, revenue generated by our private dentistry services was £86.4 million, or 15.3% of our group revenue. All NHS patients can elect to receive private treatment, and private dentistry services may be provided as enhancements or add-ons to NHS dentistry services. In general, we provide our private dentistry services in the same dental practices where we provide our NHS dentistry services. We work to expand patient choice by broadening our offering of private dentistry services. Whilst dentists working in our dental practices may educate patients as to our private dentistry services, the choice of private dentistry services lies solely with the patient.

Certain cosmetic and advanced dental treatments can only be offered as part of our private dentistry services. The most common treatments that patients opt for privately include white fillings, advanced crowns and bridges, advanced dentures, implants, teeth whitening, facial aesthetics, hygienist services, orthodontics and treatments by specialised dentists. Other specialist dentistry services offered in some of our dental practices include sedation dentistry services, oral surgery, domiciliary services (that is, the treatment of patients outside of their dental surgery and at their residence), and oral pathology and maxilla facial surgery, which includes the diagnosis and treatment of oral lesions such as oral cancer. We also provide private

periodontal services (that is, the advanced care of gum diseases) and advanced endodontic dental services (such as root canal therapy).

Typically, appointments for private dentistry services can be made in a few days whereas appointments for NHS dentistry services can take several weeks, making private dentistry services attractive to patients with greater disposable income. On average, follow-up appointments for private dentistry services can be arranged sooner and with more convenience than for NHS dentistry services.

Our private dentistry services are entirely funded by our patients whether through fee-per-service payments or the patient's dental insurance plan. Private dentistry services are typically paid as of the time of treatment. The prices of private dentistry services are set by the individual dentist working within guidelines determined by us including minimum fee levels. The cost to the patient of private dentistry services (such as a white filling) is higher than the cost of a comparable NHS primary care dental service (such as an amalgam filling), with higher prices for more-complex procedures.

As the UK economy has strengthened, we have observed an increase across the market in demand for cosmetic dentistry, including tooth whitening, veneers and dental implants.

Provision of services to our dental practices

Whilst dentists working in our dental practices and the hygienists, nurses and other staff that support them provide services to patients, we provide services such as procurement and estate management to our dental practices through a management contract between two of our operating subsidiaries, PTPL and Whitecross, and our dental practices.

Practice services division – Provision of consumables, materials, equipment and services

Our practice services division sells dental consumables, materials and other supplies and services, both to our own dental practices and to third-party dental practices.

Our practice services division has one of the largest engineering teams in the United Kingdom, which carries out installations of surgery, equipment and digital imaging systems. The same engineering team also provides planned and reactive maintenance services to many brands of dental equipment and related types of equipment. In addition, our practice services division holds dealership agreements with a number of prominent dental equipment manufacturers and operates a handpiece repair business that services both our patient services division's dental practice and third-party customers.

We have integrated dbg and The Dental Directory with each other, as well as with the rest of our operations. This integration has included the development of customer and category plans, the consolidation of warehousing, distribution and logistics facilities and the recruitment of a senior divisional management team. During the twelve months ended 31 March 2016 we have expanded the service offering provided by our practice services division with the acquisition of Med-FX, a provider of facial aesthetics supplies, PDS Dental Laboratories Leeds, a state-of-the-art laboratory providing crown and bridge work, dentures and implant assistance to dentists across the country and Dolby Medical, a leading supplier in Scotland of dental equipment and services. We intend to maintain the brands dbg, The Dental Directory, Med-FX, PDS Dental Laboratories Leeds and Dolby Medical for the foreseeable future.

The Dental Directory distributes a catalogue of approximately 25,000 products from its central logistics platform through its on-line and telesales order service, including dental consumables, specialist products including orthodontics and oral hygiene and implant products and dentistry equipment ranging from dental chairs and cabinetry to digital imaging systems. The Dental Directory also carries out services such as installation and maintenance and has a handpiece

repair business, a supplier and servicer of medical and dental equipment and supplies. We believe that each of the acquisitions will deliver cost savings and synergies to us and will allow us to drive economies of scale in terms of purchasing and other efficiencies that will benefit all customers of The Dental Directory and dbg (including our dental practices).

Central support function

Our business model focuses on leveraging our economies of scale and offering services and support to our dentists and dental practices by assuming many of the administrative responsibilities associated with running a dental practice and centralising and insourcing them to our central support function. In addition to managing the performance of our dental practices, our central support function also provides the following services: IT, compliance, regulatory, legal, finance, human resources, health and safety, risk management, talent sourcing, training, insurance, property oversight, acquisitions, payroll, marketing, information sharing and logistics functions. For the twelve months ended 31 March 2016, our patient services central support function resulted in costs of £25.7 million, which constituted 5.4% of patient services revenue for the year.

NHS framework contracts

Overview

Our patient services division provides our NHS dentistry services to patients under various types of framework contracts. Our individual dental practices enter into separate NHS dentistry contracts with NHS England (or Welsh health boards in Wales). The NHS Regions administer the NHS budget on behalf of the NHS and NHS England tenders contracts on behalf of the NHS to dental care providers such as us. Under the current NHS system, which was introduced in 2006, the value of the framework contracts is primarily based on volume, specifically UDAs.

Accordingly, our dental practices are remunerated based on the number of UDAs they complete in a contract year.

Payments under the framework contracts are made to us by NHS England, with payment of 1/12 of the contract value paid at the beginning of each month. We collect patient contributions on behalf of the NHS, and typically remit such amounts to the NHS in arrears within two-to-six weeks thereafter. Three to six months following the contract year-end (31 March), we receive a statement detailing UDA performance under each contract. If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, NHS England may seek to reclaim UDAs paid for but not performed. Any reclamation of payment must be made after the end of the contract year of underperformance. We also receive mid-year UDA performance statements and, if a dental practice has failed to meet 30% of its annual target by 30 September, the NHS Region may adjust payments made under such contract for the remainder of such contract year to correspond to an annual performance of two times of what the dental practice has achieved to 30 September. Dental practices are only paid for exceeding the number of UDAs contracted on a case-by-case basis upon approval by NHS England.

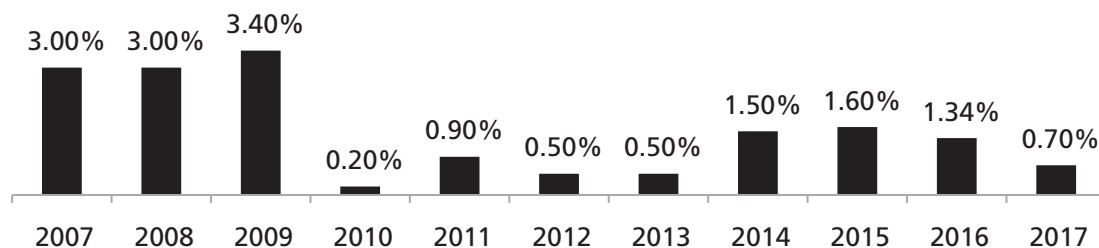
In general, UDA values differ across the United Kingdom and amongst our dental practices. Management estimates that the average value of a UDA in England for our practices is currently approximately £26. The number of UDAs awarded for a particular treatment depends on the type of treatment provided. Dental treatments are split into four bands based on the type of treatment, the number of UDAs applicable to such treatment and the patient contribution in respect of such treatment in effect as of 1 April 2016 are set out in the table below:

Treatment included	Number of UDAs	Patient charge	
		England	Wales
Band 1 Examination, prevention and advice, radiographs and scale and polish	1	£19.70	£13.50
Band 2 Band 1 plus all fillings, root canal therapy and extractions	3	£53.90	£43.00
Band 3 Band 1 and 2 plus any medical device constructed by a laboratory including crowns, bridges and dentures	12	£233.70	£185.00
Band 1a Urgent treatment to include advice, 1 filling and 2 extractions	1.2	£19.70	£13.50

Patients treated at our Scottish dental practices pay 80% of the gross cost of each course of treatment up to a maximum of £384, other than exempt patients, whose treatments are paid for by the regional Scottish Health Boards.

The value per UDA to date has been subject to annual contract uplifts as recommended by the DDRB and promulgated by the Department of Health, which may or may not accept the DDRB's recommendation. The contract years ended 31 March 2014, 2015 and 2016 saw contract uplifts of 1.5%, 1.6% and 1.34% respectively. Recently, an uplift of 0.7% was announced in respect of the contract year ending 31 March 2017. Historically UDA values have never declined in nominal terms since their introduction in 2006.

The following table presents the contract uplifts for each of the contract years (ending 31 March) since 2007:



Types of NHS dentistry contracts

There are two primary types of NHS dentistry contracts:

- General Dentistry Services (“GDS”) contracts are evergreen contracts with no end date that automatically roll over upon the achievement of targeted UDA volumes. Generally, the volume of UDAs contracted under GDS Contracts cannot be reduced unless volume targets are not met. Absent the termination events described under “—Key terms of NHS dentistry contracts,” a GDS Contract for practitioners in England and Wales may only be terminated if there is UDA underperformance of more than 4% (or 5% in Wales) in any three years and the cumulative effect of breaches of such NHS dentistry contract would be prejudicial to the efficiency of the services to be provided under the contract, and even then the more likely scenario is amendment of the contract rather than cancellation. Volumes of UDAs under the contract can only be varied by mutual consent. For the twelve months ended 31 March 2016, approximately 59% of our revenue was generated under GDS Contracts.
- Personal Dentistry Services (“PDS”) contracts are fixed-term contracts, usually with terms of three to five years. PDS contracts can in certain instances be converted into GDS Contracts. Like GDS Contracts, the volume of UDAs contracted under PDS contracts cannot generally be reduced unless volume targets are not met. For the twelve months ended 31 March 2016,

approximately 5% of our revenue was generated under PDS contracts. In addition, the UK Government has begun supporting a policy requiring PDS contracts to be competitively re-tendered at expiry, though the impact of this policy change has yet to be fully reflected throughout the system.

In Scotland and Northern Ireland, non-salaried dentists are compensated on the basis of the number of patients registered with them and for procedures performed. Scottish dental practices may also receive additional practice allowances to assist in the upkeep of their premises. Scotland and Northern Ireland do not employ volume targets, and earnings of dental practices are uncapped. For the twelve months ended 31 March 2016, 2.1% of our revenue was generated in Scotland and 0.5% in Northern Ireland.

In addition to general dental services, we provide specialised dental services that a general dentist may not be able to carry out. These services may be added on to our GDS or PDS general dentistry services contracts, or may be subject to separate framework contracts with NHS England.

- Orthodontic treatments are subject to a system similar to the UDA system, with the value of the framework contracts primarily based on units of orthodontic activity (“UOA”). Each orthodontic treatment equals 21 UOAs—that is, one UOA attributed to the examination and 20 UOAs attributed to the fitting of the brace and the ongoing related dental care of the patient. Payments under these framework contracts are made to us on a monthly basis, with any shortfalls trued up following the contract year-end.
- Sedation dentistry services are contracted and paid in a manner similar to UOAs.
- Oral surgery, which includes the extraction of difficult to remove teeth that a general dentist may not be able to perform, are contracted based on a target number of patients or visits or by types of treatment, and depend on referral volumes. Payments under these framework contracts are made to us either on a case-by-case or a monthly basis, with any shortfalls trued up following the contract year-end.
- Domiciliary services, which include the treatment of patients outside of a dental surgery (usually at a patient’s residence), are contracted based on a target number of patients or visits. Payments under these framework contracts are made to us on a monthly basis, with any shortfalls trued up following the contract year-end.
- Oral pathology and maxilla facial surgery services, which include the diagnosis and treatment of oral lesions such as oral cancer, are mostly carried out as secondary care, and paid by the NHS based on a course of treatment.

Key terms of NHS dentistry contracts

The specific terms of any given NHS dentistry contract vary depending on the NHS Region and the outcome of negotiations at the time the contract is awarded by NHS England. In addition to the terms related to contract duration, volumes and prices described above, all our NHS dentistry contracts include a general quality of care requirement. Failure to meet this quality of care requirement could result in loss of the applicable contract. NHS dentistry contracts also include limitations on assignment and, in most cases, a change of control absent consent of NHS England. Our NHS dentistry contracts are also generally terminable by NHS England upon certain insolvency events, if the contracted entity’s financial situation is such that NHS England considers that NHS England is at risk of material financial loss or on grounds the contracted party is unsuitable for reasons such as disqualification, sanction or criminal activity. For other breaches of such contracts, such as underperformance in terms of UDA volumes, the contracts are only terminable by NHS England after service of notice on the contracted party of the breach and a provision of time for the contracted party to cure such breach. In our experience, NHS England has been willing to renegotiate contracts for lower volumes of UDA in lieu of

terminating contracts due to underperformance. Out of our 598 NHS dentistry contracts, none of our GDS Contracts have been terminated.

Tendering of new contracts

A majority of NHS dental contracts in England and Wales were allocated in 2006. Because most of these are GDS Contracts with no fixed end date, a limited number of new NHS dental contracts are issued for competitive tender each year. In practice, new dental contracts tend to be issued for tender only if:

- the NHS Regions has identified a shortfall in the existing supply of NHS dental treatment compared with the estimated need for dental services in that geographic locality;
- a dentist holding an existing NHS dentistry contract dies, retires or decides to abandon his or her contractual rights; or
- NHS England terminates a dental practice's contract in accordance with its terms.

Tenders are advertised through various channels which we monitor. Tenders for contracts are competitive, and winning bids tend to be those determined by the NHS Region to offer the best price, quality of service and care, compliance and timetable, along with other localised factors.

New framework agreement proposals with pilot and prototype programmes

The UK Government has proposed changes to the current model of contracting NHS dentistry services that would move away from a strictly volume of services metric (namely, UDAs) to an approach that takes into account preventative treatment and increased access to dentistry services. The proposed changes would partially replace the UDA system with remuneration based on capitation (that is, the number of patients treated and the treatments provided), an activity measure (yet to be determined) and quality of care metrics, including clinical outcomes, patient experience and patient safety. Whilst precise timing remains uncertain, we expect that the current model, if any, would be fully implemented no earlier than 2019-2020.

In order to test the proposed payment models prior to implementation across the UK dental market, the Department of Health began a pilot programme in May 2011, which was expanded and revised in April 2013 and ended in September 2015. Three pilot payment schemes were tested:

- Pilot 1, Guaranteed Income Model. Under this pilot programme, payment for services is fixed so long as a given level of care time is provided for NHS patients, with some portion of remuneration for dentistry services based on achieving quality of care targets.
- Pilot 2, Weighted Capitation and Quality Model. Under this pilot programme, 90% of the payment for dental services is based on the number patients treated, with prices weighted by age, sex, and the socioeconomic and demographic profiles of the locality. Of the remainder of the payment, 6% is linked to clinical outcomes and effectiveness, 3% is linked to the patient experience and 1% is linked to patient safety.
- Pilot 3, Weighted Capitation and Quality Model Plus Fee for Complex Care. This pilot programme is similar to Pilot 2, but with the added element that the provision of complex care is remunerated separately in addition to payments for the weighted capitation and quality model.

After ending the pilot programme in September 2015, the Department of Health introduced the first phase of a new prototype contract programme beginning in October 2015. The second phase of the programme will be tested in 2017 and 2018 and, if adopted, the revised payment plan based on the prototype programme would gradually be introduced. The new prototype programme uses two different approaches to determining remuneration, blending (i) patient numbers, (ii) types of dental activity and (iii) clinical and operational key performance

indicators, such as clinical effectiveness, best practice, patient experience, safety and data quality. The prototypes also involve active performance management by NHS England.

We were involved in the development, testing and review of various pilot programmes on behalf of the NHS and we have engaged with the Department of Health and the BDA in relation to the prototype roll out and development, with four of our practices (three of which previously participated in the pilot programmes) participating as prototypes. We believe that our involvement in the development of these pilot programmes and prototypes will provide us with a competitive advantage by allowing us to prepare for coming changes and by giving us a voice in their implementation. However, as the actual policy changes have not yet been finalised by the UK Government and the exact timeline of the implementation has not yet been set, and as high-level changes in relevant UK Government administrative roles have changed since the Steele Review in 2008, no assurance can be given that the new framework agreements will be implemented in the manner we expect, or at all. See "Risk factors—Risks related to our industry—The terms of any new NHS dentistry contract, are uncertain, and the final terms of any such new NHS dentistry contract could be different from those we expect, which could have undesirable consequences for us and could result in material changes to our business"

We believe that changes to the current model of contracting NHS dentistry services, if any, present an opportunity for us. As the leading provider in the market, we have the capacity, scale and resources to quickly adapt to change. Specifically, we believe that capitation requirements will make the recruitment of patients more important, and that our IT systems, developing CRM capabilities and sales and marketing resources provide us competitive advantages in patient recruitment. Since it is likely there will be a quality component to any new contracting arrangement, we also believe that our clinical governance procedures and dentist, hygienist and nurse training resources will also benefit us compared to our smaller competitors. The proposed focus on preventative care and increased responsibilities for hygienists and nurses could help us operate more efficiently, with dentist time being spent delivering more critical treatments. We may also benefit from any standardisation of UDA rates. Any change would affect the provision of dental services throughout England and Wales, so we believe that the UK Government will try to ensure that any such change is essentially revenue neutral/positive for NHS dentistry as a whole so as not to disrupt the provision of dental services or encourage a migration of dentists into private dentistry services.

Dental professionals

Dental professionals in or affiliated with our workforce consist of highly trained dentists who are self-employed, independent contractors, and a team of dental staff which includes highly skilled dental nurses, hygienists, dental therapists and dental assistants.

Dentists

Dentists working in our dental practices are self-employed, independent contractors known as dental surgeons, and we enter into contracts with our dentists using our standardised associate agreement which has been reviewed by the BDA and which we understand to comply with HMRC requirements for independent contractors. We provide the dentist with the facilities, equipment, staff, materials and patient list in exchange for notional monthly licensing fees paid by dentists to us. We individually negotiate the compensation arrangements in the standardised associate agreements with each dentist working in our dental practices, and so are able to vary the compensation paid to dentists based on prevailing rates in the applicable local markets for dentists. Under the associate agreements with dentists, dentists receive a fixed percentage fee per UDA delivered, in the case of NHS dentistry services, and a percentage of fees paid for private dentistry services delivered. Contracts with dentists in our dental practices typically are evergreen, but terminable by either party upon four months' notice and include non-compete terms that prevent dentists from competing against us within a certain geographic radius of our dental practice after such contracts' termination. We also have arrangements with dentists,

some of whom are our employees, that are not assigned to any single dental practice but provide services where they are most needed, including in response to local shortages or areas in the United Kingdom that do not have full-time dentists. A small number of our dentists are employees.

To legally practice dentistry in the United Kingdom, a dentist must be registered with the General Dental Council (the "GDC"), the regulatory body for dentistry, must abide by regulations promulgated under the CQC and, in the case of NHS Dentistry, must abide by the Performers' list regulations. Of our dentists, approximately half are British. In the past, we actively sourced dentists from EEA countries and non-EEA countries due to the shortage of dentists in the United Kingdom. The UK Government has invested in additional dental graduate training places, which has driven increased registrations in dental school intake within the United Kingdom, though the Department of Health announced a 10% decrease in training places due to concerns about a future oversupply of dentists. The NHS has also improved talent sourcing efforts to increase the number of dentists offering NHS primary care dentistry by, amongst other things, introducing a new Overseas Registration Exam which replaced the longer International Qualification Exam. We now primarily attract dental graduates and dentists qualified in the United Kingdom, and we are continuing to increase our presence in certain areas of the United Kingdom that have typically experienced the greatest levels of dentist shortages. The distribution of NHS dentists can vary widely across regions, and historically the sourcing of dental graduates and dentists has been particularly difficult in southwest England. We have a dedicated recruitment team to ensure that we take advantage of current talent market dynamics and attract high-quality dentists.

Because dentists working in our dental practices are self-employed, independent contractors, we do not contribute to their pensions, provide holiday pay, make employer National Insurance contributions or take other actions that would be necessary if dentists working in our dental practices were our employees. Dentists working in our practices have the freedom to treat a patient in the manner determined in their professional opinion to the best of their medical skill. As a result, dentists are solely liable for any medical negligence liability that occurs as a result of their performance of dentistry services. Dentists are required as a matter of professional conduct to carry their own medical negligence liability insurance coverage.

Providing quality care for our patients is our first priority, and to that end we focus on making training opportunities available to our dentists. We are currently rolling out an in-house training academy for our dentists, hygienists, therapists and dental nurses in order to ensure that our dentists stay abreast of the latest medical and technological developments in the provision of dental services. Our academy is the first major private post-graduate dental training facility owned by a dental body corporate in the United Kingdom, and it demonstrates our ongoing commitment to our dentists and support staff. This underlines our retention strategy, which is designed to encourage high performers to remain with, and develop in, our team.

Other dental professionals

Dental staff and employees support the work of dentists in our dental practices, and they include dental nurses, independent dental hygienists, technicians working in dental laboratories and dental therapists. The clinical role of these non-dentists and dental professionals has expanded in recent years, allowing nurses and hygienists to take on greater responsibility in their respective practices, thereby increasing the time dentists are able to spend on more complex tasks. Like the dentists themselves, many of our dental employees are required to register with the GDC.

Dental nurses provide support to dentists in surgery and other clinical environments and are responsible for, amongst other duties, dental instrument sterilisation, operative care, the preparation of treatment materials and various clerical duties such as updating patient records. A nurse is required to be present whenever a dentist is treating a patient. We have historically

experienced relatively high rates of turnover amongst our nurses, and we have introduced initiatives, including increased salaries and training, to reduce such churn.

Dental hygienists perform a number of procedures, such as providing local analgesics, scaling and polishing teeth and providing general oral health advice. Dental hygienists are able to book and carry out certain limited procedures without a referral from a dentist. Most of our 463 dental hygienists, as at 31 March 2016, are independent contractors. Typically, we pay hygienists on the basis of work performed.

Dental therapists perform a wider range of procedures which include all that a hygienist can carry out as well as fillings for adults and children and extractions on children.

Clinical dental technicians are able to provide and manufacturer full dentures for edentulous patients and, following a consultation and design from a dentist, provide partial dentures.

Dental technicians manufacture dental appliances such as braces, crowns, dentures and bridges.

Patients

Our patient base is broad, and generally reflects the diversity of the UK population, with a slight bias toward patients from less-privileged socioeconomic groups.

Sales and marketing

Patient Services Division

We have implemented a variety of targeted marketing efforts that are aimed at attracting new patients and increasing visit frequency from existing patients. IT is a key focus in our marketing strategies. We are focused on online marketing efforts through a rebranded and interactive website with improved search engine capabilities that enable users to customise their searches for appointments, education and general questions about our business and the dentistry industry.

Each of our local dental practices has its own page on our main website. In addition, certain practices, particularly those offering specialist services, have individually tailored marketing programmes which typically include bespoke brochures and leaflets and standalone practice websites. Where appropriate, individual practices may also undertake their own marketing programmes as part of the normal patient re-call process, including through the use of specific posters, leaflets or banners displayed outside the relevant practices.

We are developing a new patient management system to improve our ability to analyse the approximately five million active patient records we hold. The primary aim of this new system is to enable us to direct tailored marketing initiatives and offers at our patient base to encourage more frequent visits, as well as the use of specialist services and attendance at events such as kids' clubs for fluoride treatment and teeth whitening for adults.

Our patient services division's marketing and sales efforts are also directed at minimising the number of patients lost due to excessive waiting room times and difficulties or delays in booking appointments and receiving information. We are making it easier for both new and existing patients to book appointments with a website that allows patients to book and amend appointments at any of our dental practices and to receive text message reminders of their appointments and to provide feedback. We also have instituted a programme to contact lapsed patients who have missed appointments and re-book them into appointments. We are increasingly focused on obtaining feedback from patients and now operate a patient survey programme across all of our dental practices. Upon leaving a practice following an appointment patients are asked to participate in a text message survey about their experience whilst attending the practice. One of the questions asked in this survey produces a "net promoter

score," which we can then use to gauge the strength of the "mydentist" brand across our dental practices.

All of the foregoing initiatives are important elements of the group's sales and marketing strategy. However, we believe that our best marketing tool is maintaining a strong reputation for excellence in the provision of dental service, as such services are often dependent on local word-of-mouth and referrals, both from current patients to other patients and from general dentists to specialists. We are therefore also pursuing new marketing platforms, such as the use of social media campaigns, to leverage our reputation for excellence in dental services and raise awareness amongst a greater number of potential patients. In addition, we believe that a significant number of NHS patients are directed to one of our practices by the "NHS Choices" website, which enables users to search for local practices based on postcode or area and also to provide ratings and feedback for individual practices, thereby underlining the importance of maintaining our focus on high quality patient care and operational excellence.

Practice services

Our sales and marketing strategy in our practice services division is to drive sales through three channels: web sales, telesales and direct marketing. The Dental Directory and dbg websites are important transactional and marketing portals for the practice services division's customers. We have invested in these websites to improve their functionality and, in the longer term, to encourage customers and members to place more orders via such websites rather than through the inbound telesales operations.

The centralised sales force of our practice services division is comprised of approximately 55 direct sales staff and 91 telesales staff, supported by a management system to monitor sales performance and yield. The practice services division also has regional sales managers who actively visit third-party practices within their territories in order to keep such practices apprised of the various supplies and services we can provide, as well as to provide technical support for previously sold items.

The practice services division's telesales team currently manages inbound calls as their primary focus and take the opportunity to offer customers additional products while taking their original orders. We are currently investing in a new CRM system which will allow us to track all customer purchasing activity across all channels, whether via the web, telesales or through its sales force. This should in turn enable the practice services division to enhance its targeted marketing and sales activities and allow the telesales team to make outbound calls to customers with a view to generating additional orders and sales.

Quality of care

We are focused on providing services that achieve high quality and patient satisfaction rankings. We have consistently maintained high quality ratings across our dental services. In addition to requirements under our NHS dentistry contracts to meet certain standards of quality of care, we are overseen and regulated by the CQC, which inspects and rates all health and social care providers, including dental care providers, in England.

We have consistently maintained high quality ratings across our dental services, and as at 31 March 2016, 99% of our practices met the essential standards set by the CQC.

For example, we continue to work closely with the Royal Society for Prevention of Accidents ("RoSPA"), implementing its Quality Safety Assessment (QSA) management system audit across the company. The QSA process helps ensure measurable standards of performance are being constantly improved and maintained throughout the business. Following success in 2015, receiving RoSPA QSA Platinum and Gold Awards, we have maintained standards by again achieving the prestigious RoSPA Gold Award in 2016.

Clinical governance

We have a dedicated team of clinical directors devoted to clinical excellence led by our Clinical Services Director. As part of our clinical governance efforts, our clinical directors manage the clinical aspect of our dental practices, investigate patient complaints, respond to regulatory inquiries, help shape policies and procedures and conduct periodic audits and site visits of our dental practices. They work closely with and advise each Director of region on issues of clinical governance and quality of care within their region. We also employ approximately 29 dentists who serve as clinical support managers on a part-time basis. The clinical services team also works closely with NHS England, NHS Regions, the CQC and professional bodies and universities to raise our profile and update our clinical practices and ensure we provide consistent, high-quality care to our patients.

Acquisitions

Overview and strategy

We have grown by pursuing selective acquisitions to expand our network of dental practices and NHS dentistry contracts. In the period beginning 12 May 2011 and ended 31 March 2016, we acquired 230 dental practices. Our acquisition strategy is to target dental practices with three or more dental chairs (the average practice acquired since 12 May 2011 has had four chairs) that benefit from GDS NHS dentistry contracts. We also focus on the historical UDA delivery rates of potential acquirees and have refocused our acquisitions on dental practices whose UDA delivery rate has historically exceeded 96%.

Acquisition process

We have a large and experienced acquisition and integration team. The focus of our experienced acquisition team centres on building and developing the acquisition pipeline, improving deal conversion rates and reducing due diligence and acquisition timelines. Our acquisition team identifies potential acquisition opportunities on the basis of our acquisition strategy described above and maintains a database of potential acquisition targets. During the twelve months ended 31 March 2016, the leads for 80% of the acquisitions we made were generated internally. Once an acquisition target has been identified, we ask the target to respond to a detailed information request and one of our acquisition managers visits the target and obtains a copy of the target's NHS dentistry contract. Depending on the legal structure of the target dental practice, we choose the legal structure for the acquisition and may contact NHS England in respect of the target's NHS dentistry contract to ascertain whether NHS England will consent to assignment of the contract to us. We then issue an offer letter to the vendor, subject to, amongst other things, due diligence and the retention of key employees.

We have a detailed due diligence process that we undertake in respect of each acquisition carried out by our acquisitions team and outside counsel. The focus of our due diligence is historical UDA delivery rates, private dentistry revenues, and the cost base of the target dental practice. Based on this data we are able to produce an expected EBITDA, and thereby a valuation, by applying expected cost savings and efficiencies experienced by such practices when integrated into our estate. On a portfolio basis, we believe that the expected EBITDA projections resulting from our acquisition team's due diligence have been accurately reflected in post-acquisition results, and acquired practices have generally enjoyed EBITDA consistency before and after their acquisition by us. We believe our due diligence methodology produces accurate results and allows us to acquire dental practices at attractive multiples of EBITDA valuations as we know the number of contracted UDAs, the UDA delivery percentage and private revenue generation tend to maintain consistency, and we are able to apply our known cost base to the practices we acquire. The dental practices we acquired in the twelve months ended 31 March 2015 contributed £7.2 million of EBITDA before head office costs and exceptional items in the twelve months ended 31 March 2016 compared to our due diligence

estimate of £9.1 million of EBITDA before head office costs and exceptional items. The majority of the shortfall related to three acquisitions, two of which were chains of dental practices that were in remote areas of the country and had difficulties recruiting dentists, and the third of which had a vendor depart on short notice after the acquisition. Management is currently addressing these issues by actively recruiting replacement dentists as well as seeking to implement a mentor programme in a number of sites of the two chains of dental practices, and by replacing the dentist in the third practice, and rebuilding the practice's patient list. The dental practices we acquired in the twelve months ended 31 March 2014 contributed £10.1 million of EBITDA before head office costs and exceptional items in the twelve months ended 31 March 2016 compared to our due diligence estimate of £10.5 million of EBITDA before head office costs and exceptional items. We seek to retain and incentivise key personnel in the practices we acquire. A percentage of the consideration we pay for dental practices is allocated as contingent consideration, which we may pay into escrow accounts for release to the vendor upon the achievement of certain financial and operational results post-acquisition, such as EBITDA, UDA delivery and revenue generated by private dentistry services.

Our extensive experience in acquiring and consolidating dental practices has also enabled us to develop a "tried and tested" process for integrating dental practices into our estate. After acquiring a dental practice, a specialist team oversees the installation of our suite of IT systems and equipment and the implementation of our management systems. In most cases, the dental practices we acquire are immediately cash positive and require little working capital, as we begin receiving payments under such acquired practices' NHS dentistry contracts at the beginning of the first month we own them. We carry out a performance review twelve months after completion of each acquisition to assess the success with which the practice has been integrated into the estate and identify any particular areas for ongoing improvement.

Our more than 20-year history of successful acquisitions has led us to develop a standardised suite of legal documentation as well as standardising other procedures such as due diligence checklists for the majority of acquisitions that we enter into. As a result, the acquisition process is more efficient as each acquisition builds on the experiences of prior acquisitions. This legal documentation contains, among other standard clauses, non-compete clauses, deferred compensation terms and other clauses designed to protect the value of the acquired practices.

Legal structure of acquisitions

We structure the acquisition of a dental practice in one of four ways depending on a number of factors, including the legal status of the target dental practice. Typically, our NHS dentistry contracts prohibit assignment without the consent of the applicable NHS Region and contain change of control provisions.

Assignment

In limited circumstances, an NHS Region may consent to the assignment of the applicable NHS dentistry contract. In such a case, we assign such contract to our trading company, Whitecross Dental Care Limited, in place of the seller of the acquired practice.

Acquiring an incorporated dental practice

Some of the dental practices we acquire already hold their NHS dentistry contract in an incorporated entity. In such situations we acquire the shares of the incorporated entity and it becomes a subsidiary.

Incorporation

In a situation in which the NHS Region does not consent to assignment of the contract and we are acquiring a practice from a sole proprietor or partnership, we may request that such sellers incorporate their practice into a limited company and obtain consent from the NHS Region for

the NHS dentistry contract to be reissued in the name of that company. Assuming such consent is obtained and there are no change of control provisions in the newly issued contract (or consent is obtained to the change of control), we then acquire the shares in the limited company. This route of acquisition is rarely used now as a result of the formulation of the partnership structure described below which does not, we are advised, require the consent of the NHS Region at any stage.

Partnership

In a situation in which the NHS Region does not consent to assignment of the contract and we are acquiring a practice from a sole proprietor or a partnership, we add two or more of our clinical director employees to become partners with the sole proprietor or join in partnership with the existing partners (as applicable). There is an obligation to notify the NHS Region of such admissions but obtaining their consent to the change in status of the contractor is, we are advised, not required. In the case where our clinical directors join an existing partnership, legally, their admission to that partnership effectively dissolves the existing partnership and creates a new one. However, notwithstanding the dissolution of the existing partnership and equally, where a new partnership is formed with a sole proprietor, we believe, after consultation with external counsel, that existing law provides that the new partnership continues to hold and benefit of the NHS dentistry contract previously held by the predecessor partnership or sole proprietor (as applicable). Typically, the original partners or sole proprietor retire from the partnership shortly after the completion of the acquisition. As at 31 March 2016, 24% of our dental practices were organised as partnerships.

See "Risk factors—Risks related to our business—Any change to the legal classification of contracts under our operating partnerships could have a material adverse effect on our business, financial condition and results of operations."

We have in the past experienced an increased unwillingness on the part of NHS Regions to assign contracts, and most of our recent acquisitions have therefore been undertaken pursuant to the partnership structure described above.

Acquisition opportunities

Whilst the UK dental market is highly fragmented, with 13,815 dental practices according to Mintel, only a small number of high-quality acquisition targets meeting our criteria come up for sale in any given year. We intend to continue to pursue our acquisition strategy of acquiring dental practices meeting our acquisition criteria, including dental practices with three or more chairs, GDS NHS dentistry contracts and strong private dentistry revenue generation, whilst avoiding undue concentration in any one local market. We estimate that approximately 300 practices become available for acquisition in an average year. We may also acquire other non-dental practice businesses for our practice services division.

Competitors

We compete in the UK dental services market, a highly fragmented market consisting of a variety of for-profit and not-for-profit groups. According to Mintel, the UK dental services market is made up of 13,815 dental practices. Our patient services division is the leading provider of dental services in the United Kingdom with 672 dental practices as at 31 March 2016. The remainder of the market is made up of smaller dental practices and dentists working as sole practitioners. Our market share in terms of revenue was approximately 7% for the twelve months ended 31 March 2016. Our next largest competitor, Oasis Healthcare, has, according to its website, more than 300 dental practices. Oasis Healthcare focuses on an even split of private dentistry services and NHS dentistry services. Whilst we do not compete with any one competitor in each of the local markets for dental services in which we operate, we do generally experience significant competition at the local level from independent dental practices for such services, and that competition may be intense. We compete with other dental

practices in both tendering for new NHS dentistry contracts through the NHS tender and in driving customer demand and thereby UDA delivery rates.

Our practice services division also competes with a number of other providers in the market for the provision of supplies and services to third-party dental practices. This market is also highly fragmented, and there is no single clear market leader, particularly as many of the larger dentistry practices prefer to purchase from multiple suppliers. The most significant competitor in this area is Henry Schein, which, together with our practice services division, is a leader in the market. Other significant competitors include Wright Cottrell, Plandent, Dental Sky, BioDelivery Sciences International, Topdental and Glove Club, as well as a large number of smaller local suppliers and distributors. Our patient services division's dental practices purchase their dental consumables, materials and services from the practice services division exclusively, except in cases where the practice services division does not offer the required consumables, materials or services.

Regulation

We are subject to regulation by the UK Government (and the Scottish Government in relation to our practices located in Scotland) and we are particularly impacted by laws relating to the provision of dental services and quality of care, as well as the regulations of the Department of Health. Discussed in more detail below are some of the key laws and regulations under which we operate.

As a provider of primary healthcare services within the NHS we are subject to a complex legislative framework designed to ensure that people who use healthcare services such as those provided by us are protected and certain standards of quality and safety are met.

The CQC is an independent body which regulates the provision of health and social care services in England. Its main objective is to protect and promote the health, safety and welfare of those using such healthcare services. The CQC's functions include the registration of healthcare service providers and the ongoing monitoring of such providers through inspections, data analysis and other checks to ensure that standards of quality and safety are met and to encourage ongoing improvements by such providers. The results of such reviews and inspections are published by the CQC and are available for public inspection.

The services provided by our dental practices fall within the scope of regulated activities under healthcare legislation and like all relevant service providers we must be registered with the CQC. The regulations stipulate that where the service provider is a body corporate, an individual must also be registered and shall be responsible for supervising the management of the carrying on of the provision of the services by that provider. There are various registration requirements which include providing a statement of purpose setting out the aims and objectives of the service provider and details of the locations at which the services will be provided. All our dental practices are duly registered with the CQC and we have a dedicated team who deals with our CQC registrations and the provision of information to the CQC.

The CQC maintains a public register of all registered service providers and the activities carried out by them, and we are obliged to notify the CQC of certain changes affecting the carrying on of the services (for example, where the service provider is a partnership, it must notify the CQC of any changes in the membership of the partnership) and the occurrence of certain incidences in the provision of such services, which might include allegations of abuse, matters reported to, or investigated by the police and physical damage to the premises which may have a detrimental effect on the care provided. Failure to register with the CQC or non-compliance with the registration requirements may result in both criminal and civil sanctions. The CQC is also empowered to take enforcement action if a registered service provider fails to comply with relevant regulations. The regulations provide that all service providers are required to take proper steps to assess and monitor the quality of services being provided and ensure the proper care and welfare of patients. For example, service providers are required to consider the safety

and suitability of the premises and equipment used, ensure that appropriate standards of cleanliness are met, have effective complaints procedures in place and maintain accurate patient records. Further, service providers must ensure that they have sufficient levels of staffing and recruit staff with the necessary qualifications, skills and experience. Our CQC registrations manager and clinical directors, amongst others, oversee the provision of services at our dental practices to ensure that our practices meet all applicable CQC standards.

An important part of the CQC regulatory framework is the maintenance of up-to-date registrations. This is particularly relevant to us when we acquire practices and need to ensure that adequate time is allowed for the transfer of registrations from the vendor to us. Due to certain administrative errors and in spite of concerns previously notified by the CQC, during the course of 2015 it became apparent that an error had been made in the transfer of the registration of an acquired practice, which resulted in proceedings being taken by the CQC against the partnership involved and a fine being imposed. We continuously review our processes and controls in order to minimise the risk of any such incidents occurring and to ensure that the highest levels of CQC compliance are maintained.

There are specific regulations governing dental services contracts. The regulations applicable to both GDS and PDS Contracts set out the conditions which must be met by a service provider before a contract for the provision of dental services will be provided by an NHS body. Where applicable conditions are satisfied, a GDS Contract may be provided to an individual dental practitioner, partnership, dental corporation or limited liability partnership (“LLP”) and a PDS contract may be provided to an individual dental practitioner, a dental corporation, a company limited by shares or an LLP. The regulations also prescribe the terms to be included in such contracts, which include: the services to be provided and the manner in which they are to be provided to patients (including the practice address and surgery hours); the type and duration of the contract; the applicable fees and charges; conditions to be met by those who perform the services and provisions regarding complaints; patient records; the provision of information and rights of entry and inspection; and sets out procedures for dispute resolution and the variation and termination of the contract.

Generally, under a GDS Contract, the service provider will be required to provide a range of dental services and, in most circumstances, on an ongoing basis subject only to specific termination provisions set out in the legislation. A GDS Contract generally provides greater flexibility by allowing the service provider to form partnerships and change the membership of partnerships. PDS Contracts are typically granted for a fixed term and do not include any provision for the service provider to form partnerships. However, if mandatory (i.e. general dental and not specialist) services are provided under the PDS Contract, the service provider has the right to apply to NHS England to convert the PDS Contract into a GDS Contract.

Since we also operate dental practices in Scotland, Wales and Northern Ireland, we are subject to regulation relating to the provision of dental care in those jurisdictions, which may differ from regulation relating to the provision of dental care in England.

Our practice services division is subject to regulatory oversight by the UK’s Medical & Healthcare products Regulatory Agency in respect of the purchase, storage, sale and distribution of controlled drugs and medicines. Failure to comply with these regulations could result in fines or penalties, including the denial of the ability to supply certain or any controlled drugs or medicines.

Environment, health and safety

We are subject to numerous separate laws and regulations relating to the protection of the environment and human and occupational health and safety, including those governing the handling, transportation and disposal of hazardous and medical waste. These laws and regulations are enforced either at the national level (particularly in the case of health and

safety) or at local level. Fire safety laws are enforced by the local fire inspectors and environmental laws enforced by local authorities.

The most significant occupational health and safety law is the Health and Safety at Work etc Act 1974 (the "Health and Safety Act"). The Health and Safety Act imposes a duty of care upon us, not only to our employees but also to our patients and to any visitors to our facilities. We are required to take care to prevent serious accidents and to eliminate from our facilities conditions that could lead to such accidents. Our business activities are, in particular, exposed to significant risks, relating, for example, to the transmission of infections (including blood-borne infections, such as HIV) and other risks associated with medical practices generally and dental practices specifically. There are also similar and specific risks associated with our practice services division, particularly its warehouses and dispensary, and in the supply of equipment. We have experienced in the past, and likely will experience in the future, violations of health and safety regulations. We have a dedicated team of experienced health and safety experts to meet our health and safety requirements and address any violations that may occur.

With regard to environmental legislation, the most significant law is the Environmental Protection Act 1990–Part II as amended (the "Environmental Protection Act"). The Environmental Protection Act mandates that all waste is disposed of through a licensed waste disposal agent and that all hazardous and non-hazardous waste disposals be supported by approved documentation. In that respect, we ensure that we only use approved and licensed waste carriers and recyclers.

Failure to comply with such laws and regulations in the future could subject us to, amongst others, civil and criminal fines and penalties, enforcement actions, the suspension or termination of our licences to operate or third-party claims. See "Risk factors—Risks related to our business—Our business activities are exposed to significant health and safety risks, and we may also be subject to future liability due to unforeseen health and safety risks."

We are also committed to reduce the impact of our business on the environment. As a major dental care service provider, we produce a considerable volume of clinical waste at the dental practice level. We have partnered with a waste management company to ensure this waste is collected, processed and disposed in line with all relevant environmental regulations.

Immigration

We have historically relied on foreign dentists (both from within and outside the EEA) to the extent required to address shortfalls in UK dental graduates and UK-qualified dentists to fill vacancies in our dental practices. In such cases, and even though our dentists are independent contractors not employed by us, we must comply with relevant immigration laws for non-EEA workers. In particular, the Immigration, Asylum and Nationality Act 2006 (the "IANA") imposes civil and/or criminal penalties on the provision of work to adults who are subject to immigration controls and have not been granted leave to enter or remain in the United Kingdom or whose leave is invalid, ineffective or subject to conditions preventing them from accepting employment ("illegal workers"). Under this legislation, an employer is subject to civil fines of up to a maximum of £20,000 per worker if it employs an immigrant in a job for which he or she is not authorised. Changes to the law made as at February 2008 created a criminal offence of knowingly employing an illegal worker. From July 2016, this offence is being widened such that it will be a criminal offence if the employer knows, or has reasonable cause to believe, they are employing an illegal worker. Employers prosecuted under the IANA can establish a defence by proving that they checked, copied and retained specific types of documents as specified by the UK Government prior to the commencement of employment. In addition, NHS Regions review the immigration papers of foreign dentists as part of their approval process.

Suppliers

The primary equipment and materials required to conduct our business include dental practice equipment such as dental chairs, diagnostic equipment, general dentistry materials, such as the amalgam, other components for fillings and bridges, radiology equipment, hygiene equipment and other general dental care products.

Dental appliances such as crowns, dentures and bridges are supplied to our patient services division's dental practices by third-party laboratories and, following the acquisition of PDS Dental Laboratories Leeds in March 2016, the group's own laboratory, and the costs of such supplies are shared equally between us and the self-employed dentists working in that practice.

In part as a result of the establishment of our practice services division, we centralise and insource the procurement of equipment and materials used in our patient services division's dental practices to generate economies of scale and lower our costs. Our patient services division's dental practices purchase their dental consumables, materials, equipment installation, maintenance and engineering work, as well as any other products that our practice services division offers internally. We also negotiate volume discounts with our external suppliers of non-dental supplies, including for our practice services business unit.

We generally do not enter into long-term supply commitments with our suppliers and actively look to negotiate volume discounts with them. Whilst we believe that the large amount of supplies purchased by the practices services division are readily available from a large number of suppliers, some of the more specialised items, such as handpieces, may only be available from a few suppliers, and any disruption or loss of such suppliers could negatively impact our ability to supply our patient services division and impact our practice services division's ability to supply its third party customers.

Billing and payment

We have no material billing requirements in respect of patients of our NHS dentistry services. Patients contribute to the cost of NHS dentistry services depending on the type of dental care service they receive, with the balance of payment paid by NHS England. The patient contribution is set by the NHS and revised annually. The full amount is contributed by the NHS when patients are exempt from payment. Exempt patients include students under 19 years of age, the unemployed, new and expectant mothers, and pensioners. In addition, certain low income patients may be entitled to partial exemptions, depending on their income. Our private dentistry services are entirely funded by our patients, whether through out-of-pocket payments or certain dental insurance plans. Private dentistry services are typically paid as of the time of treatment. Whilst most patients opting for private dentistry services pay out-of-pocket, we also accept payment under certain dental insurance plans.

Payments under our NHS dentistry contracts are made to us by NHS England, with payment of 1/12 of the contract value paid at the beginning of each month. We collect patient contributions on behalf of the NHS and remit such amount to the NHS in arrears approximately two to six weeks thereafter. Three to six months following the contract year-end (31 March), we receive a statement detailing each UDA performance under each contract. If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, NHS England may seek to reclaim UDAs paid for but not performed. Any payment of reclamation must be made after the end of the contract year of underperformance. We also receive mid-year UDA performance statements and, if a dental practice has failed to meet 30% of its annual target by 30 September, the NHS Region may adjust payments made under such contract for the remainder of such contract year to correspond to an annual performance of two times of what the dental practice has achieved to 30 September. Dental practices are only paid for exceeding the number of UDAs contracted on a case-by-case basis upon approval by NHS England.

Real and personal property

We lease our executive offices, which are located at Europa House, Europa Trading Estate, Stoneclough, Kearsley, Manchester, M26 1GG, United Kingdom. At 31 March 2016 we were also party to 716 other property leases, which includes 667 dental practices in various locations throughout Great Britain, 23 leased or licensed car parks, Dental Directory's central warehouse and 12 other properties used by our practice services division. We typically lease dental surgeries on behalf of our dental practices pursuant to long-term leases. In some cases we also lease space for our dental practices from NHS Regions.

We hold freehold interests in 3 properties, which are dental practices for which we have acquired the freehold interest alongside the dental practice, but we did not acquire these properties intending to hold them for the long term, and may enter into sale-leaseback arrangements in respect of these properties in the future. Rates (UK business property taxes) paid in respect of a dental practice are reimbursed to us by NHS England in proportion to such dental practice's proportion of NHS dentistry services performed to private dentistry services and, as a result, the majority of the rates paid in respect of our dental practices are reimbursed. Our property portfolio is managed internally by a property management team and supported by external specialists where appropriate. Part of our central property management support function involves regulatory compliance in connection with our properties. Our property management team also manages a defined capital expenditure cycle and dilapidation schedule in respect of our leased and freehold properties.

We are also party to certain operating leases in respect of approximately 240 vehicles leased by us for use by certain members of our management team, including certain of our clinical directors, regional managers and sales and engineering staff within our practice services division, as well as operating leases in respect of office equipment, such as copier machines.

Intellectual property

Whilst our know-how, copyrights, business processes and other intellectual property rights are important to our business, we do not consider any single piece of intellectual property to be of material importance in relation to our business as a whole. We are not currently engaged in any material intellectual property litigation, nor do we know of any material intellectual property claims outstanding. We believe we have registered all relevant trademarks associated with the "mydentist" brand.

Information technology systems

IT systems impact virtually all aspects of our business, including record-keeping, patient information processing and storage, data security, marketing and sales, compliance logistics and practice and performance management. Our IT strategy is driven by the dual goals of promoting growth of our business whilst ensuring data security.

We have implemented a centralised IT platform for our patient services division that brings together many of our IT functions in one data warehouse based at our head office and managed by an experienced team of information specialists. Our practice performance management IT systems are critical to the management of our business, and we have implemented unified practice management software across our entire estate of dental practices and dashboard capabilities for our area and regional managers and dentists working in our dental practices to monitor UDA delivery rates. In addition, we are developing backup and recovery databases for use in our head office and dental practices. These systems back up our data several times a day to make sure that the abundance of sensitive patient information we have stored at our many dental practices is safely managed in one central location.

We are preparing our IT systems for any potential changes to data retention and regulation that could be introduced as part of changes to the NHS dentistry contract framework.

We operate a separate, bespoke IT infrastructure for our practice services division that manages warehouse operations, inventory control and logistics. A new web portal system has been implemented which allows practice managers and clinicians from across our patient services division to review an e-catalogue and order products for their practices via this web portal. The use of such an e-catalogue provides our dental practices with access to a select list of product lines suitable for both the provision of NHS and private dentistry services while enabling us to keep the cost of materials used by our practices within agreed parameters.

The next major IT initiative we are undertaking is the commencement of investment in a group-wide enterprise resource planning (“ERP”) solution. The first area of focus has been on the development of a CRM system to provide platforms for patient and customer facing activities in both the patient services and practice services divisions. We also leverage our IT systems in its sales and marketing strategy by, for example, search optimisation and improved website functionality.

Independently contracted dentists and employees

Dentists working in our dental practices are self-employed and independent. As at 31 March 2016, we had over 2,600 dentists working in our 672 dental practices, either part-time or full-time. We also have arrangements with approximately 200 dentists, which we refer to as locums, who as at 31 March 2016 were not assigned to a single practice, but can fill dentist vacancies on an as-needed basis to provide dental services where they are most needed. We also have approximately 70 practising dentists who are our employees. We individually negotiate the associate contracts with dentists working in our dental practices, and so are able to vary the compensation paid to dentists based on prevailing rates in the applicable local markets for dentists. Under our associate contracts with dentists, dentists receive a fixed percentage fee per UDA delivered, in the case of NHS dentistry services, and a percentage of fees paid for private dentistry services delivered. Contracts with dentists in our dental practices typically are for a term of two years and include non-compete terms that prevent dentists from competing against us for our NHS dentistry services patients within a certain geographic radius of our dental practice.

We also employ highly skilled dental support staff who provide a broad range of clinical and administrative support services for our dentists, including 28 clinical technicians (all of whom are self-employed, independent contractors) in our practices across the UK. In addition, as at 31 March 2016, 463 hygienists worked across our practices, the majority of whom were self-employed, independent contractors.

The following table sets out the number of our dentists and dental support and central staff, as at 31 March 2016:

	As at 31 March 2016
Dentists*	2,923
Hygienists	463
Dental and support and central staff	6,646
Practice services division staff	384
Total	10,416

Insurance

Our operations are subject to various actual and potential claims, liabilities, hazards and disasters. We carry a variety of insurance policies, including policies in respect of property and material damage, business interruption, combined commercial liability, and directors’ and officers’ liability. We believe that our insurance coverage is adequate and customary for a

business of our size in our industry. Our self-employed, independently contracted dentists are obliged by professional licensing standards to carry their own medical negligence insurance, and we are typically not subject to medical negligence liability claims.

Legal proceedings

In the normal course of our business, we may be involved in legal, arbitration or administrative proceedings. Additionally, we operate in a closely regulated industry. As such, in the ordinary course of business, we are subject to national and local regulatory scrutiny, supervision and control. Such regulatory scrutiny often includes inquiries, investigations, examinations, audits, site visits and surveys, some of which are non-routine.

We are currently, and have in the past been, subject to employment tribunal claims brought by former employees.

On the basis of current information, we do not expect that the actual claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware, will ultimately have a material adverse effect on our results of operations, financial condition or liquidity.

From time to time we are subject to claims and disputes related to the recoupment of amounts paid under NHS dentistry contracts and other disputes with NHS Regions and NHS England. Each of the claims arises from allegations of overstated contract payments, patient charge collection claims or the use of stratified sampling to quantify assertions for inappropriate claims.

Specifically regarding stratified claims, please note the NHS Litigation Authority decided it is not appropriate to base claims on stratified or extrapolated figures, but only actual amounts claimed. Furthermore, following the abolition of PCTs on 1 April 2013, it remains to be seen whether successor NHS Regions will take such claims forward.

28 day letters

As part of an initiative by NHS England to provide more scrutiny and oversight of UDA claims under NHS dentistry contracts, the NHS Business Services Authority and NHS Regions have delivered letters to each of the dentists in our patient services division's dental practices detailing the rate at which patients reattend each dental practice within 28 days of a previous appointment. The letters, which we refer to as "28 day letters" rank the practice's reattendance rate during such period against the national average, with those dental practices whose reattendance ranks significantly above the national average asked to justify their reattendance rates. Of our dental practices, 27 have received 28 day letters stating that they are significantly above the national average. While we expect any monetary sums paid to correct any UDA overpayment to be relatively small, the 28 day letters have resulted in a decrease in UDA delivery productivity at our dental practices, as dentists spend more time on practice notes, delay patient visits occurring after a relatively recent visit and in general have become more conservative in claiming UDAs. The total amount that we have had to pay in respect of 28-day letters has never been material. We understand that 28 day letters are being delivered to all dental practices in England and Wales.

Tax

On the basis of current information, we are not aware of any proceedings by HMRC in respect of our tax planning or treatment.

Management

Board of directors of the Issuer

The Issuer is a public limited company incorporated under the laws of England and Wales. The following table sets out certain information with respect to the current members of the Issuer's board of directors:

Name	Age	Title
Terry Scicluna	58	Executive Director
Mark Robson	53	Executive Director
Jean Bonnavion	45	Non-Executive Director
Eric Kump	46	Non-Executive Director
Alexis Stirling	43	Non-Executive Director

Board of Directors of the Parent Guarantor

The Parent Guarantor is a private limited company incorporated under the laws of England and Wales. The following table sets out certain information with respect to the current members of the Parent Guarantor's board of directors:

Name	Age	Title
Paul Pindar	57	Non-Executive Chairman
Terry Scicluna	58	Executive Director
Mark Robson	53	Executive Director
Barry Cockcroft	65	Non-Executive Director
Jean Bonnavion	45	Non-Executive Director
Louis Elson	53	Non-Executive Director
Eric Kump	46	Non-Executive Director
Alexis Stirling	43	Non-Executive Director

Set out below is a brief description of the business experience of the individuals who serve as members of our Board.

Paul Pindar. Mr. Pindar joined our Board in July 2012 as non-executive Chairman. In February 2014, he retired as the Chief Executive Officer of Capita plc, a leader in business process management and outsourcing solutions in the United Kingdom. Mr Pindar is currently a member of the Senior Advisory Board of TowerBrook Capital Partners; Chairman of AIM listed Purplebricks Group Plc; Chairman of Independent Clinical Services and Chairman of ITC Luxury Travel Group. Mr. Pindar is a member of the Institute of Chartered Accountants in England and Wales. After more than four years as Chairman, Mr. Pindar has informed us of his intention to resign from his position, subject to a suitable transition period, to focus on his directorships on other boards and to allow the company to benefit from the perspectives and ideas of a new chairman.

Terry Scicluna. Mr. Scicluna is the Chief Executive Officer of Integrated Dental Holdings. His appointment became effective and he was appointed to our Board in November 2013. Mr. Scicluna has nearly 40 years of UK healthcare and retail experience. Prior to joining Integrated Dental Holdings, Mr. Scicluna spent nine years with Alliance Boots where he held various senior positions, including from 2010 to 2013 as International Managing Director responsible for all Boots stores and brands outside of the United Kingdom with revenue of £2 billion. Mr. Scicluna

was Managing Director of Unichem for Alliance Boots from 2007 to 2008, and was Chief Operating Officer of Alliance Boots and Deputy Managing Director of its Alliance Pharmacy from 2002 to 2007.

Mark Robson. Mr. Robson is the Chief Financial Officer of Integrated Dental Holdings and joined in February 2012. Mr. Robson is a qualified chartered accountant with extensive experience in the consumer and leisure retail sectors including public- and sponsor-owned entities. He was previously Chief Financial Officer at Thorntons PLC (confectionary retailing and production), Somerfield Limited (food retailing), SFI Holdings Limited (pub and bar chain), Claire's Accessories (UK) Limited (children's fashion) and Alldays PLC (the convenience store group).

Barry Cockcroft. Mr. Cockcroft joined our Board in 2015 as a Non-Executive Director. Mr. Cockcroft is a qualified dentist and initially spent more than 25 years in general dental practice where he also represented Coventry, Warwickshire and Solihull on the General Dental Services Committee of the British Dental Association, ultimately becoming the Vice-Chairman of the Committee. In 2002 he joined the Department of Health as Deputy Chief Dental Officer, and was appointed Chief Dental Officer in 2006. During this time, he provided clinical and professional advice to NHS England, the Department of Health and Health Education England and contributed to the development of dental care in the United Kingdom. He was awarded a CBE in 2010 as well as honorary fellowships by the University of Central Lancashire, the Faculty of Dental Surgery in England and the Faculty of General Dental Practice and an honorary doctorate in dental surgery by the University of Plymouth.

Jean Bonnavion. Mr. Bonnavion joined our Board in 2011 as a non-executive Director. He is currently a Partner at Palamon. He has served as an observer or member of the board for many Palamon investments, including Towry and SAV Credit. Prior to joining Palamon in 2005, Mr. Bonnavion spent eight years working in management consulting for Bain & Company in Paris and London. He also worked for the French Railways in London for two years as part of the Eurostar marketing team. Mr. Bonnavion holds degrees from the Harvard Business School and the ESSEC Business School.

Louis Elson. Mr. Elson joined our Board in 2014 as a non-executive Director. Currently, he is co-founder and managing partner at Palamon, where he has managed investments in the European healthcare sector for the past 14 years. Mr. Elson has also participated in a number of other investments with Palamon, including Towry, SAR, OSG, Red and Feelunique. Prior to his career in private equity, Mr. Elson worked in investment banking at Goldman Sachs and in publishing at Time Inc. Mr. Elson has also held directorships in a number of companies in a variety of industries over the past twenty years.

Eric Kump. Mr. Kump joined our Board in 2011 as a non-executive Director. Since 2010, Mr. Kump has acted as a Managing Director at Carlyle with responsibility for coverage of the UK market. Prior to joining Carlyle, Mr. Kump was a Managing Director and head of the London-based private equity team of Dubai International Capital ("DIC"). Whilst at DIC he was on the board of various investments including Alliance Medical, Almatris, Travelodge, Mauser Group and Merlin Entertainments Group. Prior to that, he was a Managing Director with Merrill Lynch Global Private Equity ("MLGPE"), where he was a member of the investment committee and a director of numerous portfolio companies. Whilst at MLGPE, he focused on investments in a range of industries, including financial services, consumer, distribution, industrial and healthcare. Mr. Kump holds degrees from PACE University and the Harvard Business School.

Alexis Stirling. Mr. Stirling joined our Board in 2011 as a non-executive Director. Currently, Mr. Stirling is a Managing Director in the European buyout team at Carlyle, with a particular focus on business and consumer services sectors. Prior to joining Carlyle, Mr. Stirling was an Investment Director with Apax Partners and he has previously been a board member of RAC, Addison Lee, NBTY Europe, Focus Wickes, PCM Uitgevers and Promethean. Mr. Stirling holds a BA in Political Sciences and a MPHIL in management from Cambridge University as well as an MBA from Harvard University.

Key members of senior management

In addition to the board of directors discussed above, the following individuals form the key members of the senior management of the Parent Guarantor:

Name	Age	Title
Terry Scicluna	58	Chief Executive Officer
Mark Robson	53	Chief Financial Officer
Annette Spindler	48	Chief Operating Officer – Patient services division
Mark Stephenson	51	Chief Operating Officer – Practice services division
Steve Williams	46	Clinical Services Director
Jeremy Perkin	42	Group Financial Controller

Set out below is a brief description of the business experience of other key members of senior management of the group not already described.

Annette Spindler. Ms. Spindler is the Chief Operating Officer of Integrated Dental Holdings’ patient services Division. Her appointment became effective in April 2014. Ms. Spindler has a wealth of experience within the retail and healthcare sectors. She was previously Marketing Director of Lloyds pharmacy part of parent company Celesio AG, Managing Director of Scholl Retail which included Podiatry clinics (previously owned by Alliance pharmacy), Marketing Director of Alliance Pharmacy (part of Alliance Boots), Sales, Marketing & Property Director at Brantano Footwear (including international—Middle East).

Mark Stephenson. Mr. Stephenson is the Chief Operating Officer of Integrated Dental Holdings’ practice services Division. Mr. Stephenson has extensive experience in the healthcare business, prior to IDH he was Managing Director of IPS Specials, a private equity owned specialist pharmaceutical manufacturer. Before this, he worked in Alliance Boots for over 10 years which included managing several businesses in homecare, hospital, contract sales, and manufacturer services. Mr Stephenson’s early career included manufacturing, purchasing, sales, and general management roles, culminating in eight years at Total where he managed over 10,000 retail outlets across Europe and introduced the retail brand “Bonjour.”

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

Jeremy Perkin. Mr. Perkin joined Integrated Dental Holdings in December 2008 as Group Financial Controller. Prior to joining our team, Mr. Perkin held a series of roles with KPMG LLP including the role of Senior Manager, Audit. Mr. Perkin is a qualified chartered accountant and a member of the Institute of Chartered Accountants in England & Wales.

The business address for each of the Board and the senior management team of the group is Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG, United Kingdom.

Committees

Audit committee

Our Audit Committee is chaired by Paul Pindar and is composed of the following members: Eric Kump and Jean Bonnavion. The role of the Audit Committee is to monitor and review our internal financial controls, risk management systems and audit function, external auditor independence and objectivity, and the effectiveness of the external auditor review process. The Audit Committee will also develop and implement our policy on the engagement of, and make recommendations to the board in relation to the appointment of, external auditors. The Audit Committee meets at least once every twelve months.

Remuneration committee

Our Remuneration Committee is composed of Terry Scicluna, Paul Pindar, Mark Robson, Eric Kump and Jean Bonnavion. The responsibilities of the Remuneration Committee include determining the remuneration and performance targets for senior executives and any employees who earn a salary greater than £110,000 per year, the award of rights under equity incentive plans and the setting of all management bonus schemes.

Compensation of directors and senior management

The aggregate salary and fees, performance-related remuneration and bonuses, pension contributions and other benefits paid to the directors and senior management listed under “—Board of Directors of the Parent Guarantor” and “—Key members of senior management” in the twelve months ended 31 March 2016 was £2.0 million excluding severance and other transition payments to directors and senior management that have left us during such period.

Management employment agreements

Our senior management is compensated by way of a fixed annual salary and an annual bonus. The annual bonus is typically determined based on the proportion by which our EBITDA before exceptional items exceeds budget and certain personal objectives, in both cases reasonably determined by the Board. The Remuneration Committee reviews compensation packages for all senior executives and any employees who earn a salary greater than £110,000 per year, and all other employee compensation packages are reviewed annually by the Board.

Share ownership

Certain members of the board of directors and senior management of the group indirectly own shares of EquityCo. See “Principal shareholders.”

Principal shareholders

The issued share capital of the Issuer consists of 50,000 ordinary shares with a total par value of £1.00. All the issued share capital of the Issuer is held by the Parent Guarantor, a private limited company incorporated under the laws of England and Wales and a wholly owned subsidiary of MidCo, a private limited company incorporated under the laws of England and Wales. Other than the preference shares, the issued share capital of MidCo is held by EquityCo, a private limited company incorporated under the laws of England and Wales.

Ownership in EquityCo

EquityCo has three classes of ordinary equity capital. The ordinary shares of EquityCo are designated as A1, A2 and B shares. The A1 ordinary shares have a nominal value of £0.01 and the A2 shares and B shares each have a nominal value of £0.04. The following table sets out certain beneficial ownership information regarding the holders of over 5% of the ordinary shares in EquityCo, and the number and percentage owned by each shareholder as at 31 March 2016:

	Carlyle ⁽¹⁾		Palamon ⁽²⁾		Management ⁽³⁾		Total	
	('000)	%	('000)	%	('000)	%	('000)	%
A1 Ordinary Shares	1,282	64.1	400	20.0	–	–	1,682	84.1
A2 Ordinary Shares	–	–	–	–	18	0.9	18	0.9
B Ordinary Shares	–	–	–	–	300	15.0	300	15.0
Total	1,282	64.1	400	20.0	318	15.9	2,000	100.0

- (1) The Carlyle Group is the beneficial owner of shares in EquityCo held by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle.
- (2) Palamon Capital Partners is the beneficial owner of shares in EquityCo held by its fund Palamon European Equity II, L.P. In addition, ADP Primary Care Acquisitions Limited, an entity controlled by Palamon, holds preference shares in MidCo with a par value of £20 million.
- (3) Current and former members of our senior management hold interests in the ordinary shares of EquityCo indirectly through their interests in Turnstone Management Investments Limited. No member of management individually or together with such member of management's immediate family members or personal trust beneficially holds more than 5% of the ordinary shares of EquityCo.

Information about our principal shareholders

Carlyle

Funds formed and managed by The Carlyle Group hold 64.1% of our equity interests. The Carlyle Group is a global alternative asset manager with more than \$178 billion in assets under management across 125 funds and 164 fund of funds vehicles as at 31 March 2016. Founded in 1987 in Washington, DC, Carlyle has grown into one of the world's largest and most successful investment firms, with more than 1,650 professionals operating in 36 offices in North America, South America, Europe, the Middle East, North Africa, Sub-Saharan Africa, Japan, Asia and Australia. Carlyle's investment in IDH is made through its third European Buyout Fund, which has approximately €5.4 billion under management.

Palamon

Funds formed and managed by Palamon Capital Partners hold 20.0% of our equity interests. Palamon Capital Partners is a private equity partnership that invests in service-oriented businesses and businesses with high growth potential throughout Europe. Palamon has approximately €1.3 billion under management. Palamon's other investments in the healthcare industry include SARquavita, Prospitalia, Polikum and Ober-Scharrer.

Subscription and Shareholders Agreement

On 28 January 2011, EquityCo, MidCo and BidCo, *inter alios*, entered into a subscription and shareholders' agreement (the "Subscription and Shareholders' Agreement"), amended on 11 May 2011, relating to the shares held in EquityCo by each of Carlyle and Palamon (together, the "Lead Investors") and certain members of our senior management, and governing the management and affairs of EquityCo and its subsidiaries.

The Subscription and Shareholders' Agreement contains provisions, amongst other things, regulating (i) the proceedings and general meetings of the Board, the BidCo board of directors and the board of directors of Turnstone Management Investments Limited, (ii) matters which are reserved for the prior written consent of the Lead Investors, (iii) restrictions and rights on transfers of debt and equity instruments in EquityCo or Turnstone Management Investments Limited (including rights of first offer and tag-along and drag-along rights), (iv) preemption rights, (v) acquisition and rescue issues, (vi) the manner and process of exit, (vii) rights and obligations of holders of debt and equity instruments in EquityCo or Turnstone Management Investments Limited (including distributions and ranking), (viii) the rights and obligations of Management, (ix) rights and obligations of EquityCo, MidCo, the Parent Guarantor, BidCo and Turnstone Management Investments Limited and (x) matters relating to indemnification of the parties under the Subscription and Shareholders' Agreement.

Certain relationships and related party transactions

In the ordinary course of business we may enter into transactions with related parties. Described below are the most significant transactions with related parties.

Letter of credit to clinical directors

Certain of our clinical directors act as partners in the dental practices we acquire through partnership structures. In order to indemnify such clinical directors against the risks inherent in these arrangements, Lloyds Bank plc has issued a letter of credit in favour of such clinical directors in the amount of £1.8 million, which will be replaced by a new letter of credit issued under the New Revolving Credit Facility Agreement in connection with the Refinancing.

Transactions with entities under the control of key management personnel

We lease certain warehouse and office premises from Sharksfin Holdings Limited and The Weavers Pension scheme. Martin Mills, former non-executive chairman of our practice services division (until 31 March 2016) and former managing director of The Dental Directory (until January 2015), holds a majority shareholding in Sharksfin Holdings Limited and is a trustee and beneficiary of The Weavers Pension Scheme.

Description of other indebtedness

The following is a summary of the material terms of our principal financing arrangements in addition to the Indentures after giving effect to the Refinancing. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalised terms used in the following summaries and otherwise not defined in this offering memorandum have the meanings ascribed to them in the respective agreements.

New Revolving Credit Facility Agreement

On the Issue Date, the Issuer and the Subsidiary Guarantors will have entered into the New Revolving Credit Facility Agreement which will replace the Existing Revolving Credit Facility Agreement. Turnstone Bidco 1 Limited and Integrated Dental Holdings Limited will be the original borrowers under the New Revolving Credit Facility Agreement and the Issuer is an original guarantor under the New Revolving Credit Facility Agreement. The Subsidiary Guarantors will also be original guarantors under the New Revolving Credit Facility Agreement, each guaranteeing, subject to certain limitations, the obligations of the borrower and each other guarantor.

Structure

The New Revolving Credit Facility Agreement provides for the New Revolving Credit Facility in a principal amount of £100.0 million. Subject to the terms of the New Revolving Credit Facility Agreement and any ancillary documents, a lender under the New Revolving Credit Facility may make available a facility (each an "Ancillary Facility" and, together, the "Ancillary Facilities") to any of the borrowers in place of all or part of its undrawn commitments under the New Revolving Credit Facility.

Subject to the terms of the New Revolving Credit Facility Agreement, the Parent Guarantor may establish an additional revolving credit facility (each an "Additional Facility" and, together, the "Additional Facilities") under the New Revolving Credit Facility Agreement, provided that the maximum aggregate principal amount outstanding under all such Additional Facilities may not at any time result in a breach of the limitation of indebtedness covenant or the limitation on liens covenant in the "Description of the Notes" (see "Description of the Notes—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock" after taking into account the application of the proceeds of the incurrence of such indebtedness and provided that no Permitted Refinancing Indebtedness, Structural Adjustment or Increased Commitment (each as defined in the New Revolving Credit Facility Agreement) established pursuant the New Revolving Credit Facility Agreement shall be treated as (or outstanding under) an Additional Facility. An Additional Facility may only be established so long as no event of default is continuing, or would result from, utilization in full of such Additional Facility at the time such Additional Facility is committed. Each Additional Facility shall rank *pari passu* with the New Revolving Credit Facility and shall benefit from the same guarantees and security as the New Revolving Credit Facility.

The New Revolving Credit Facility, the Ancillary Facilities and the Additional Facilities are, collectively, the "Facilities."

Purpose

Drawings under the Facilities must be used to fund the general corporate purposes and/or working capital requirements of the Parent Guarantor and its restricted subsidiaries (the "Restricted Group"), including, without limitation, any capital expenditure of the Restricted Group and any acquisitions of assets, shares or businesses permitted under the New Revolving Credit Facility, but may not be applied toward payment of any dividends or distribution or

toward the repayment, prepayment, purchase, defeasance, redemption, acquisition, or retirement of the liabilities under the Notes.

Interest and fees

Drawings under the New Revolving Credit Facility Agreement bear interest at floating rates of interest per annum equal to LIBOR plus the following applicable margins:

- (a) in relation to the New Revolving Credit Facility, 3.50% per annum;
- (b) in relation to any Ancillary Facility, the rate per annum specified in the relevant Ancillary Facility notice; and
- (c) in relation to any Additional Facility, the rate per annum specified in the relevant Additional Facility Notice.

Beginning with the date falling six months after the Closing Date, if no event of default under the New Revolving Credit Facility Agreement is continuing and the Consolidated Senior Secured Net Leverage Ratio (calculated as the ratio of consolidated net debt to consolidated pro forma EBITDA in respect of the preceding twelve-month period preceding the relevant quarterly testing date) is within a range set out below, the margin will be the relevant percentage per annum set out below:

Consolidated Senior Secured Net Leverage Ratio:	Margin:
Greater than 4.50:1	3.50%
Less than or equal to 4.50:1 but greater than 4.25:1	3.25%
Less than or equal to 4.25:1 but greater than 4.00:1	3.00%
Less than or equal to 4.00:1	2.75%

Whilst an event of default under the New Revolving Credit Facility Agreement is continuing, the margin will be the highest percentage per annum margin set out above, until the date on which such event of default ceases to be continuing, whereupon the margin will revert to the level determined in accordance with the Consolidated Senior Secured Net Leverage Ratio described above.

Interest on overdue amounts under the Finance Documents is payable immediately within three business days of demand at a rate 1.00% higher than that which would have applied.

The Parent Guarantor is required to pay a commitment fee on available but unused commitments at a rate equal to 35.0% of the then applicable margin for each relevant facility from the Closing Date until the end of the availability period in respect of the relevant facility.

Security and guarantees

The Facilities are guaranteed irrevocably and unconditionally on a joint and several basis by each guarantor, which will initially be the same as those entities that guarantee the Notes. Such guarantees will rank *pari passu* with the guarantees of the Senior Secured Notes, subject to the terms of the Intercreditor Agreement. The Facilities as a whole will initially be secured by liens on the same collateral as those securing the Senior Secured Notes and Second Lien Notes, consisting of a first-ranking lien over all of the shares in the Issuer and the Subsidiary Guarantors, and a first-ranking lien over substantially all of the other tangible property and intangible assets of the borrowers and guarantors (including receivables under the Proceeds Loans). Such liens will rank *pari passu* with the liens securing the Senior Secured Notes, subject to the terms of the Intercreditor Agreement.

The New Revolving Credit Facility Agreement also requires that, subject to certain exceptions, the value of the aggregate of the EBITDA and gross assets of the obligors under the New

Revolving Credit Facility Agreement shall each be at least 80% of the consolidated EBITDA and gross assets of the Restricted Group (the "Guarantor Coverage Test").

Representations and Warranties

The New Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications), including as to status, binding obligations, non-conflict with constitutional documents, applicable laws or regulations or other agreements or instruments binding on that obligor or any member of the Restricted Group or any of their respective assets to an extent which has or is reasonably likely to have a material adverse effect, power and authority, validity and admissibility in evidence, no filing or stamp taxes, no default, solvency, no proceedings pending or threatened, no breach of laws, good title to assets, accuracy of the group structure chart, base case model and most recent financial statements delivered, governing law and enforcement of Finance Documents, intellectual property, taxation and centre of main interests and establishments.

Covenants

The New Revolving Credit Facility Agreement contains customary operating covenants, requiring each borrower and each guarantor (and in certain cases, the subsidiaries of such borrowers or guarantors) to observe certain affirmative covenants, subject to certain agreed exceptions, relating to, amongst other things:

- maintenance of relevant authorisations;
- compliance with laws and regulations;
- provision of financial and other information to the lenders;
- maintenance of pension schemes;
- compliance with the Guarantor Coverage Test;
- further assurance with respect to security interests granted; and
- access to the premises, assets, books, accounts and records of each Obligor in certain circumstances.

The New Revolving Credit Facility Agreement also requires each borrower and each guarantor (and in certain cases, the subsidiaries of such borrowers or guarantors) to observe certain negative covenants, including covenants relating to:

- restrictions on making certain acquisitions;
- restrictions on using proceeds of the transaction to fund any activities of, or business with, any person, or in any Sanctioned Country;
- changing the centre of main interests; and
- restrictions on making certain amendments to its constitutional documents subject to certain exceptions.

In addition, the New Revolving Credit Facility Agreement includes a number of financial information undertakings. The incurrence covenants in the Senior Secured Notes and Second Lien Notes will apply equally to the New Revolving Credit Facility Agreement.

Financial Covenant

The New Revolving Credit Facility Agreement also requires the Parent Guarantor to comply with a financial covenant requiring that the ratio of the total outstanding amount of all Utilisations

under the New Revolving Credit Facility Agreement (excluding for this purpose all accrued interest, fees and commissions) to Consolidated Pro Forma EBITDA of the Parent Guarantor shall not exceed 2.3:1 (the "Financial Covenant"). The Parent Guarantor has four equity cure rights in respect of the Financial Covenant prior to the termination date of the New Revolving Credit Facility Agreement and equity cures in consecutive financial quarters are not permitted.

The New Revolving Credit Facility Agreement provides that the Financial Covenant will be measured quarterly on a rolling aggregate basis for each twelve-month period ending on a quarter date, subject to (i) the first test date falling at least three months after the Closing Date and (ii) the New Revolving Credit Facility (excluding Letters of Credit (or bank guarantee) or non-cash Ancillary Facilities) being at least 35% drawn on the relevant test date. In addition, the Financial Covenant is only required to be tested semi-annually if the Release Condition has been met (such condition being either that (1) the Consolidated Leverage Ratio is equal to or less than 3.25:1 for the Relevant Period ending on the most recent financial quarter date for which a compliance certificate has been delivered or (2) the long term corporate credit rating of the Parent Guarantor is equal to or better than Baa3 according to Moody's Investor Services Limited or BBB- according to Standard & Poor's Rating Services.

Repayment

Each loan drawn under each of the New Revolving Credit Facility and any Additional Facility must be repaid on the last day of its interest period. The amounts outstanding under the New Revolving Credit Facility on the termination date (six years from the Closing Date in relation to the New Revolving Credit Facility and in relation to an Additional Facility, as set out in the relevant Additional Facility Notice) must be repaid on that date. Any Ancillary Facility is to be repaid at the time specified in the relevant notice. Amounts repaid by the borrowers in respect of the New Revolving Credit Facility may be re-borrowed.

Prepayments

If there is a Change of Control (other than a transfer to an Approved List Investor within 48 months of the Closing Date where a specified consolidated leverage ratio is met, no Event of Default is outstanding, and necessary KYC requirements have been satisfied), the Commitments of a Lender may (at the election of the relevant Lender) be cancelled and such Commitments will be repayable in full within five business days of the Lender notifying the Agent, as detailed in the New Revolving Credit Facility Agreement. Mandatory prepayments of the Facilities will also be required upon illegality and in accordance with the Notes repurchase condition (as set out in the New Revolving Credit Facility Agreement).

Mandatory prepayments will be applied:

- First, in cancellation of the available commitments under the New Revolving Credit Facility and any Additional Facilities;
- Secondly, in prepayment of utilisations and cancellation of commitments under the New Revolving Credit Facility and any Additional Facilities; and
- Thirdly, in prepayment and cancellation of outstandings and commitments under any Ancillary Facilities.

The borrowers may voluntarily prepay amounts outstanding under the New Revolving Credit Facility Agreement, at any time, in whole or in part, on not less than three business days' notice to the Agent subject to an agreed minimum amount of £1,000,000. Voluntary prepayments will be applied against any such loans under the New Revolving Credit Facility and any Additional Facilities as the Parent Guarantor may elect.

Any prepayments under the New Revolving Credit Facility Agreement are made without penalty or premium, subject to accrued interest on the amount prepaid and any break costs.

The Parent Guarantor may voluntarily cancel the whole or any part of the total commitment under the New Revolving Credit Facility Agreement, subject to agreed minimum amounts, on not less than three business days' notice to the Agent.

Notes Repurchase Condition

The New Revolving Credit Facility Agreement contains a "notes repurchase" covenant which provides that the obligors shall not prepay, purchase, redeem, defease (or otherwise retire for value) any Notes (including Second Lien Notes) prior to the scheduled repayment date, other than where at the time the notes repurchase is committed the Agent has received confirmation from the Parent Guarantor that either:

- the aggregate principal face amount of all Notes (including Second Lien Notes) that are the subject of Notes Purchases does not exceed 50% of the original aggregate principal face amount of the Notes (including Second Lien Notes) at the Closing Date (the "Notes Purchase Basket"); or
- to the extent the aggregate principal face amount of all Notes (including Second Lien Notes) that are the subject of Notes Purchases does exceed 50% of the original aggregate principal face amount of the Notes (including Second Lien Notes) at the Closing Date, the Parent Guarantor shall ensure that (i) the amount of the Commitments are cancelled at the time the Notes Purchase is completed and (ii) if applicable, Utilisations are prepaid (as the Parent Guarantor may select in its sole discretion) within the time period specified in the New Revolving Credit Facility Agreement to ensure that Utilisations do not exceed the Total Commitments in the same proportion by which the Notes in excess of the Notes Purchase Basket are prepaid, purchased, defeased or redeemed (or otherwise retired for value) until the Total Commitments have been reduced to £30,000,000.

Events of default

The New Revolving Credit Facility Agreement provides for substantially the same events of default as under the Notes, the occurrence of which would allow the lenders to accelerate all outstanding loans and cancel their commitments and declare that any amounts outstanding under the Finance Documents are immediately due and payable. In addition, the New Revolving Credit Facility Agreement contains the following additional events of default, subject in certain cases to agreed grace periods, thresholds and other qualifications:

- non-payment of amounts due under the Finance Documents;
- breach of the financial covenant;
- inaccuracy of a representation or statement when made, deemed to be made or repeated;
- cross default;
- any expropriation, attachment, distress or execution affects any asset or assets of an obligor;
- invalidity or unlawfulness of the Finance Documents;
- insolvency or insolvency proceedings (including in a jurisdiction other than England and Wales);
- expropriation of all or any substantial part of an obligor or material subsidiary's assets;
- cessation of the business of the Restricted Group taken as a whole; and
- failure of any obligor or any subordinated shareholder creditor of an obligor to comply with a material term of the Intercreditor Agreement, which is not remedied.

Governing Law

The New Revolving Credit Facility Agreement will be governed by English law although the restrictive covenants, which are included in the New Revolving Credit Facility Agreement and largely replicate those contained in the Indentures, are construed in accordance with New York law (without prejudice to the fact that the New Revolving Credit Facility is governed by English law).

Intercreditor Agreement

In connection with the entry into the New Revolving Credit Facility, the Indenture and the indenture governing the Second Lien Notes, the Issuer and the Guarantors will enter into the Intercreditor Agreement to govern the relationships and relative priorities between, among others: (i) the lenders under the New Revolving Credit Facility; (ii) any persons who execute or accede to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "Hedging Agreements"; the liabilities under such Hedging Agreements, the "Hedging Liabilities"; and any persons that accede to the Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the "Hedge Counterparties"); (iii) the Trustee (the "Notes Trustee"), on its own behalf and on behalf of the holders of the Notes (for the purpose of this "Description of other indebtedness," the "Notes") (the "Noteholders"); (iv) the intragroup creditors and debtors; (v) certain direct or indirect shareholders and subsidiaries, if any, of the Issuer in respect of certain structural debt that the Issuer or another member of the Group has incurred or may incur in the future (including any subordinated shareholder loans); and (vi) any lenders, noteholders or other creditors in respect of any Second Lien Debt (as defined below) and any creditor representatives of the Second Lien Creditors (as defined below).

In this description where a capitalised term is not defined it will bear the same meaning as set out in the Intercreditor Agreement unless the context otherwise requires. Additionally:

"Group" refers to the Issuer, the Parent Guarantor and its subsidiaries from time to time that are not Unrestricted Subsidiaries.

Each member of the Group that incurs any liability or provides any guarantee or security under the New Revolving Credit Facility, in respect of the Notes or under any other Debt Document (as defined below) is referred to as a "Debtor" and are collectively referred to as the "Debtors."

The Intercreditor Agreement will set forth:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit (i) a sale of any assets subject to transaction security (such assets, the "Collateral"; such security, the "Transaction Security"; and the documents constituting such Transaction Security, the "Transaction Security Documents"); and (ii) other activities or transactions (including, without limitation, reorganizations and the incurrence of incremental facilities) permitted by the Credit Facility Documents, the Senior Secured Notes Documents, the Pari Passu Debt Documents the Second Lien Debt Documents and the Senior Debt Documents (each as defined below and

such documents or instruments together with the Shareholder Debt Documents, Intra Group Debt Documents, Transaction Security Documents and the Hedging Agreements, being referred to collectively as the "Debt Documents").

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by members of the Group and which is permitted or not prohibited by the terms of the New Revolving Credit Facility Agreement, any loan agreement evidencing any other Credit Facility, the Indenture and any loan agreement or notes indenture evidencing *Pari Passu* Debt, Second Lien Debt or Senior Debt (the "Finance Documents") and the Intercreditor Agreement to rank *pari passu* in right of payment with the liabilities under the New Revolving Credit Facility Agreement, the liabilities under the Indenture (for the purposes of this section, the "Notes Indenture") and any *Pari Passu* Liabilities (as defined below), or, in each case, with the consent of the relevant Agents (as defined below) under such documents (acting on the instructions of the requisite level of creditors under such documents) and to share in the Transaction Security with the rights and obligations of the *Pari Passu* Creditors (as defined below), subject to the terms of the Intercreditor Agreement (such indebtedness being the "*Pari Passu* Debt"; the creditors in respect of such indebtedness being the "*Pari Passu* Creditors"; the liabilities of the Debtors in respect of such indebtedness being the "*Pari Passu* Liabilities"; and the documents creating or evidencing the *Pari Passu* Liabilities and which have been designated as such by the Parent Guarantor and the *Pari Passu* Debt Representative (as defined below), the "*Pari Passu* Debt Documents") provided that the *Pari Passu* Creditors (or their *Pari Passu* Debt Representative (as defined below)) have acceded to the Intercreditor Agreement in accordance with its terms.

The Intercreditor Agreement will also include provisions relating to indebtedness that may be incurred by the members of the Group which is permitted or not prohibited under the terms of the Intercreditor Agreement and the Finance Documents or with the consent of the relevant Agents (as defined below) under each document (acting on the instructions of the requisite level of creditors under such documents) to share in the Transaction Security with the rights and obligations of Second Lien Creditors (as defined below), subject to the terms of the Intercreditor Agreement (such indebtedness, together with the Second Lien Notes, being the "Second Lien Debt," the issuer or borrower in respect of such debt being the Issuer or a holding company of the Issuer (the "Second Lien Debt Issuer"), the creditors in respect of such indebtedness being the "Second Lien Creditors," the liabilities of the Debtors in respect of such indebtedness being the "Second Lien Liabilities" and the documents creating or evidencing the Second Lien Liabilities and which have been designated as such by the Parent Guarantor and the Second Lien Debt Representative (as defined below), the "Second Lien Debt Documents"), provided that the Second Lien Creditors (or their Second Lien Debt Representative (as defined below)) have acceded to the Intercreditor Agreement in accordance with its terms.

The Intercreditor Agreement will also include provisions relating to future indebtedness in the form of loans, credit or guarantee facilities, or notes (such indebtedness being "Senior Debt," the liabilities of the Debtors in respect of such indebtedness being "Senior Debt Liabilities" and documents creating or evidencing the Senior Debt Liabilities and which have been designated as such by the Parent Guarantor and the Senior Debt Representative (as defined below), the "Senior Debt Documents") that may be incurred by a limited liability company or other person which is a holding company of or a direct wholly owned subsidiary of such holding company which, in each case, is not a member of the Group, is not an Unrestricted Subsidiary and is not a borrower or issuer (or co-borrower or co-issuer) of any Super Senior Liabilities or Senior Secured Liabilities (such entity, the "Senior Debt Issuer" and the liabilities owed (directly or indirectly) to the Senior Debt Issuer by the Parent Guarantor or any other member of the Group (including but not limited to those owed by the Parent Guarantor to the Senior Debt Issuer under or in connection with any loan, bond or other debt instrument whereby any proceeds of the issue of any Senior Debt are lent by a Senior Debt Issuer to the Parent Guarantor and declared dividends to the Senior Debt Issuer being the "Senior Debt Issuer Liabilities") and provisions relating to the liabilities in respect of guarantees granted by each guarantor of the Senior Debt (the

“Senior Debt Guarantee Liabilities”), that is permitted or not prohibited under the Finance Documents subject to the terms of the Intercreditor Agreement (the creditors in respect of such indebtedness being the “Senior Debt Creditors”).

The Intercreditor Agreement will also provide for the incurrence of any credit facility constituting a “Credit Facility” under the Notes Indenture, the creditors of which are entitled under the terms of the Finance Documents to receive priority in respect of the proceeds of the enforcement against the Collateral (each such facility being a “Credit Facility” and, together with the New Revolving Credit Facility, the “Credit Facilities” and each finance document relating thereto (but excluding any Hedging Agreement) and which has been designated as such by the Parent Guarantor and the Credit Facility Agent, a “Credit Facility Document”). Each lender under a Credit Facility is a “Credit Facility Lender” and excluding any Hedging Liabilities, the liabilities of the Debtors to the Credit Facility Lenders are referred to as the “Credit Facility Lender Liabilities.”

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of a Debt Document and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any member of the Group contravening any applicable law or regulation, or present a material risk of liability for any member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties).

Any reference in this “Description of other indebtedness” (and in the Intercreditor Agreement) to any matter being “permitted” under one or more Debt Document shall include reference to such matters not being prohibited under such Debt Documents.

By purchasing a Note, or any Pari Passu Debt issued in the form of notes or any Second Lien Debt issued in the form of notes, the relevant noteholders (as applicable) shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Notes Trustee, the Pari Passu Debt Representative or the Second Lien Debt Representative (as applicable) to enter into the Intercreditor Agreement on their behalf.

The following description is a summary of certain provisions in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety.

Provisions with Respect to Second Lien Debt and Senior Debt

The Intercreditor Agreement will include customary provisions in respect of the rights and obligations of, and restrictions placed upon, Second Lien Creditors and Senior Debt Creditors; including in relation to (i) the circumstances in which payments in respect of Second Lien Debt and Senior Debt (as applicable) are permitted to be made, (ii) the circumstances when payments under the Second Lien Debt and Senior Debt (as applicable) can be suspended (including through the issuance of a stop notice (and cure provisions in respect thereof)), (iii) restrictions on when the Second Lien Creditors and Senior Debt Creditors (as applicable) can and cannot take enforcement actions (including customary standstill provisions in respect of Second Lien Debt and Senior Debt (as applicable) and (v) the ability of Second Lien Creditors and Senior Debt Creditors (as applicable) to purchase the Super Senior Liabilities and the Senior Secured Debt (as applicable) in certain circumstances. We urge you to read the document to understand your rights as holders of the Notes and the rights of, and the restrictions placed upon, the Second Lien Creditors and Senior Debt Creditors.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions in respect of permitted payments described below, that (i) the Credit Facility Lender Liabilities; (ii) the liabilities of the Debtors with respect to Super Senior Hedging Liabilities (as defined below) (the creditors of the

Super Senior Hedging Liabilities, the "Super Senior Hedge Counterparties," the Super Senior Hedging Liabilities, together with the Credit Facility Lender Liabilities and the Agent Liabilities owed to the Credit Facility Agent, the "Super Senior Liabilities" and the creditors of the Super Senior Liabilities, the "Super Senior Creditors"); (iii) the liabilities of the Debtors with respect to any Hedging Agreements that do not constitute Super Senior Hedging Liabilities (the "Non-Super Senior Hedging Liabilities" and the creditors of the Non-Super Senior Hedging Liabilities, the "Non-Super Senior Hedge Counterparties"); (iv) the liabilities of the Issuer and the Debtors in respect of the Notes (the "Senior Secured Notes Liabilities"); (v) the Pari Passu Liabilities (together with the Senior Secured Notes Liabilities and the Non-Super Senior Hedging Liabilities, the "Senior Secured Liabilities," and the creditors of the Senior Secured Liabilities, the "Senior Secured Creditors"); (vi) the Second Lien Liabilities; (vii) the liabilities of the Senior Debt Issuer and the Debtors in respect of the Senior Debt (but excluding any Hedging Liabilities) (the "Senior Debt Liabilities"); and (viii) certain other unsecured liabilities, will rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- *first*, the Super Senior Liabilities, the liabilities of any Debtor to an arranger under the Credit Facilities (the "Arranger Liabilities"), the Agent Liabilities, the Senior Secured Liabilities, the Second Lien Debt Trustee Amounts, the Senior Debt Trustee Amounts and the liabilities of any Debtor owed to the Security Agent (the "Security Agent Liabilities") *pari passu* and without any preference between them; and
- *second*, the Second Lien Liabilities and the Senior Debt Guarantee Liabilities *pari passu* and without any preference between them.

The intercompany obligations (the "Intra Group Liabilities" and the documents creating or evidencing such Intra Group Liabilities being "Intra Group Debt Documents") of any member of the Group to any other member of the Group (each an "Intra Group Lender" and collectively the "Intra Group Lenders") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors (as defined below).

The liabilities owed by any Debtor to any direct or indirect shareholder or affiliate of the Parent Guarantor who is not a member of the Group and any of their respective transferees or successors (the "Shareholder Liabilities" and "Shareholder Creditors" and the documents creating or evidencing such Shareholder Liabilities being "Shareholder Debt Documents") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors. The Intercreditor Agreement will require that any direct or indirect shareholder of the Parent Guarantor which provides financial indebtedness to a member of the Group shall be required to accede to the Intercreditor Agreement and be bound by the terms thereof (including subordination and release provisions) as a Shareholder Creditor.

In this section the Shareholder Liabilities the Senior Debt Issuer Liabilities and the Intra Group Liabilities are together referred to as the "Subordinated Liabilities."

The parties to the Intercreditor Agreement will agree in the Intercreditor Agreement that the Transaction Security ranks and secures the following liabilities in the following order:

- *first*, Credit Facility Lender Liabilities, the Agent Liabilities, the Arranger Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Liabilities, the Senior Debt Trustee Amounts, the Second Lien Debt Trustee Amounts, the Hedging Liabilities and the Security Agent Liabilities *pari passu* and without any preference between them;
- *second*, the Second Lien Liabilities, *pari passu* and without preference between them; and

- *third*, (to the extent only of any Shared Security (as defined below)), the Senior Debt Liabilities, *pari passu* and without any preference between them.

The Senior Debt Liabilities and the Subordinated Liabilities will not be secured by any of the Transaction Security unless permitted by the prior ranking Finance Documents or if not permitted, the consent of the requisite number of Creditors (or their Agent, acting on their behalf, if applicable) has been obtained. Notwithstanding the foregoing, the Senior Debt Liabilities may, to the extent provided for under the relevant Senior Debt Document, be secured by the "Shared Security" if any (such security being (a) in the case of Senior Debt which is not secured by any assets of the Group, the Security (if any) granted in favor of the Security Agent under the Transaction Security Documents over Investment Instruments issued by the Parent Guarantor or any of its Holding Companies to a Senior Debt Issuer and over any Senior Debt Issuer Liabilities owed by the Parent Guarantor or any of its Holding Companies to the Senior Debt Issuer; or (b) the Security granted in favor of the Security Agent under the Transaction Security Documents on a third-ranking basis in accordance with the Intercreditor Agreement).

The Senior Debt Liabilities are senior obligations of the Senior Debt Issuer. Until the Senior Secured Debt Discharge Date, the Senior Debt Creditors may not take any steps to appropriate the assets of the Senior Debt Issuer in connection with any enforcement action other than as expressly permitted by the Intercreditor Agreement.

Under the Intercreditor Agreement, all Proceeds from Enforcement of the Collateral and certain other recoveries will be applied as provided under "—Application of Proceeds from Enforcement of Transaction Security."

Hedging Liabilities

The Intercreditor Agreement will provide for Hedging Liabilities, which will consist of (a) Super Senior Hedging Liabilities and (b) Non-Super Senior Hedging Liabilities.

Super Senior Hedging Liabilities

Any Debtor and a Super Senior Hedge Counterparty may enter into hedging agreements for the purposes of hedging any floating interest rate exposures or foreign exchange exposures in respect of any Credit Facility, Notes, Pari Passu Debt, Second Lien Debt or Senior Debt on a super senior basis (the liabilities of the Debtors thereunder being the "Super Senior Hedging Liabilities") and in accordance with the order of application provided under "—Application of Proceeds from Enforcement of Transaction Security" as Super Senior Hedging Liabilities.

Non-Super Senior Hedging Liabilities

Non-Super Senior Hedging Liabilities are those Hedging Liabilities which do not constitute Super Senior Hedging Liabilities. Recoveries made in respect of Non-Super Senior Hedging Liabilities will be allocated in accordance with the order of application provided under "—Application of Proceeds from Enforcement of Transaction Security" as Non-Super Senior Hedging Liabilities.

Further Security, Incremental and Replacement Liabilities

The creditors in respect of the Super Senior Liabilities and the Senior Secured Liabilities (the Super Senior Liabilities, the liabilities owed to Agents, the Senior Secured Liabilities, the Second Lien Liabilities, the Arranger Liabilities and (to the extent secured by the Shared Security) the Senior Debt Liabilities, together, the "Secured Liabilities," and the creditors thereof, the "Secured Parties" and the documents evidencing the Secured Liabilities, the "Secured Debt Documents") may take, accept or receive the benefit of additional security and additional guarantees, indemnities or other assurance against loss from any member of the Group in respect of the Secured Liabilities, provided that, if and to the extent legally possible, such security, guarantee, indemnity or other assurance against loss is also granted to the Security Agent as agent and trustee of the other Secured Parties (provided that this shall not require any

security or guarantee to be granted in respect of the Senior Debt Liabilities). Any such additional security, guarantee, indemnity or other assurance against loss will rank in the same order of priority as referred to above and the proceeds of the enforcement of any such security will be applied as provided under “—Application of Proceeds from Enforcement of Transaction Security,” provided that, in each case, the grant of such security or the giving of such guarantee, indemnity or other assurance against loss is permitted by any prior ranking Finance Documents or consent of the requisite number of Creditors (or their Agent on their behalf) has been obtained.

The Intercreditor Agreement provides that the Debtors (or any of them) shall be permitted to: (i) incur, assume or establish incremental borrowing liabilities and/or guarantee liabilities; or (ii) refinance, replace or otherwise restructure (in whole or in part from time to time) the borrowing liabilities and/or guarantee liabilities (or any other liabilities and obligations subject to the terms of the Intercreditor Agreement from time to time), including by way of refinancing, replacement, exchange, set-off, discharge or increase of any new, existing, additional, supplemental or new financing or debt arrangement, including arrangements existing at the time a person becomes a member of the Group or is assumed in connection with the acquisition of assets, merger, consolidation or combination or otherwise; including by way of any loan, note, bond or otherwise; issued or incurred, and together with any guarantee, security or other credit support by any member of the Group (“New Debt Financings”) which, in any such case, is intended to rank *pari passu* with or in priority to any existing liabilities and/or share *pari passu* with or in priority to any Transaction Security and/or to rank behind any existing liabilities and/or to share in any existing Transaction Security behind such existing Liabilities.

Notwithstanding any other term, condition or restriction in any other Debt Document, in connection with any New Debt Financings, each Agent and the Security Agent (and any other Creditor party to a Transaction Security Document) are authorized and instructed by all Creditors (and in each case are obliged at the request of the Parent Guarantor) to promptly enter into any new Transaction Security Document, promptly amend or waive any terms of an existing Transaction Security Document and/or promptly release any asset from Transaction Security subject to the following conditions: (a) any new Transaction Security shall be: (i) subject to the Agreed Security Principles, Guarantee Limitations, applicable law and the other terms of the Intercreditor Agreement, granted in favor of the Security Agent for and on behalf of the providers and/or agents and/or trustees of a New Debt Financing and the then existing Secured Parties; (ii) on terms substantially the same (except that it shall also secure any New Debt Financing) as the terms of the existing Transaction Security over equivalent asset(s); and (iii) for the purposes of the Intercreditor Agreement, be considered as having secured the relevant liabilities *pari passu* with the then existing Transaction Security; (b) any amendment or waiver of a Transaction Security Document or release and re-grant of Transaction Security shall only be undertaken if required by the terms of the New Debt Financing or to the extent necessary under applicable law to give effect to the ranking set out in “—Ranking and Priority” and, where legally possible and in the opinion of the Parent Guarantor (acting reasonably) commercially feasible, where the Transaction Security is intended to secure any relevant Liabilities, second or further priority (if applicable) Transaction Security (the “Additional Transaction Security Documents”) will be taken instead of releasing and re-granting the existing Transaction Security but will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement as secured by the existing Transaction Security Documents and the Additional Transaction Security Documents *pari passu* with other Liabilities which would otherwise have the same ranking as contemplated by such New Debt Financing; (c) if any asset is to be released from Transaction Security, promptly upon giving effect to that release, replacement Transaction Security is, subject to agreed security principles, guarantee limitations and applicable law, granted in favor of the Security Agent for and on behalf of the providers and/or agents and/or trustees of the New Debt Financing and the existing Secured Parties benefitting from the Security (except that it shall also secure any New Debt Financing); and (d)

to the extent customary, legal opinions as to due capacity, authority, execution and enforceability (together with customary supporting legal documentation, certificates and resolutions) and solvency certificates are required to be issued under the relevant Finance Documents are issued in relation to re-taken, new or amended Transaction Security Documents in connection with a New Debt Financing, the Security Agent shall be entitled to rely on such legal opinions and solvency certificates and shall receive documentary evidence of such reliance.

Permitted Payments—General

The Intercreditor Agreement will permit, prior to the occurrence of an acceleration event in respect of a Credit Facility, the Pari Passu Liabilities or the Senior Secured Notes Liabilities or Second Lien Liabilities (a “Secured Debt Acceleration Event”), payments to be made by the Debtors under a Credit Facility (including the New Credit Facilities), the Senior Secured Notes Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Senior Debt Documents in accordance therewith or with the consent of the relevant Agents (as defined below) under each document (acting on the instructions of the requisite level of creditors under such documents) in each case in accordance with the terms of the relevant Credit Facility Agreement, Senior Secured Notes Documents, Pari Passu Debt Documents, Second Lien Debt Documents and Senior Debt Documents but subject to: (i) in the case of payments in respect of the Notes, compliance with the Notes Purchase condition described under “—New Revolving Credit Facility Agreement—Notes Repurchase Condition” or any equivalent provision in any other Credit Facility; and (ii) subject to certain customary exceptions in the case of payments in respect of the Pari Passu Liabilities, any restrictions under the prior ranking Finance Documents and (iii) in the case of payments in respect of the Second Lien Liabilities and Senior Debt Liabilities (as applicable), subject to certain customary provisions and restrictions governing permitted payments in respect of the Second Lien Debt and the Senior Debt (as applicable) including the issuance of any relevant payment stop notices.

Following the occurrence of a Secured Debt Acceleration Event, subject to certain exceptions, payments can only be made by the Debtors applying the amounts received by the relevant Debtor under the process described under “—Application of Proceeds from Enforcement of Transaction Security.” The restriction in the foregoing sentence shall not apply (i) where, provided that the Majority Super Senior Creditors constitute the Instructing Group in accordance with “—Enforcement Decision,” a payment block suspension notice has been delivered by the Credit Facility Agent to the Security Agent in accordance with the terms of the Intercreditor Agreement or (ii) to the extent that such Secured Debt Acceleration Event has subsequently been cancelled and/or irrevocably revoked in writing by each relevant Agent.

Permitted Payments—Second Lien

The Intercreditor Agreement will also permit payments in respect of Second Lien Debt to the Second Lien Creditors prior to the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, in accordance with the terms of the Second Lien Debt Documents including:

(a) if:

(i) the payment is of:

- (A) any principal amount or capitalised interest of the Second Lien Liabilities which is either not prohibited from being paid by the prior ranking Finance Documents or is paid on or after the final maturity date of the Second Lien Liabilities (provided that such maturity date is a date not earlier than the later of the originally scheduled maturity date of the Notes and the final termination date as set out in the Credit Facility Documents in existence at the time of issuance of such Second Lien Debt);
or

- (B) any amount in respect of the Second Lien Liabilities which is not an amount of principal or capitalised interest (such amount including all scheduled interest payments, including, if applicable, special interest or liquidated damages) and default interest on the Second Lien Liabilities accrued, due and payable in cash in accordance with the terms of the relevant Debt Document, additional amounts payable as a result of the tax gross up provisions relating to the Second Lien Liabilities and amounts in respect of currency indemnities in the relevant Second Lien Debt Documents;
- (ii) no Second Lien Payment Stop Notice (as defined below) is outstanding;
- (iii) no payment default under any Credit Facility Document, the Senior Secured Notes Documents (above an agreed threshold), the Pari Passu Debt Documents (above an agreed threshold) and the Second Lien Debt Documents (above an agreed threshold) (“Second Lien Payment Default”) (together a “Secured Debt Payment Default”) has occurred and is continuing (but for the purposes of this paragraph (iii) a Second Lien Payment Default is excluded);
- (b) the payment is in accordance with a provision in a Second Lien Debt Document which is substantially equivalent to the illegality or the right of cancellation and repayment to a single lender provisions set out in the New Senior Credit Facilities Agreement and no Secured Debt Acceleration Event has occurred;
- (c) if the payment is of the Second Lien Liabilities outstanding which would have been payable but for the issue of a Second Lien Payment Stop Notice (which has since expired) which has been capitalised and added to the principal amount of the Second Lien Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Second Lien Liabilities during a period when a Second Lien Payment Stop Notice was outstanding provided that no such payment may be made if any Debt Payment Default (other than a Second Lien Payment Default) is continuing or would occur as a result of making such payment;
- (d) if the payment is of amounts owing to the Second Lien Debt Representative in respect of any Second Lien Debt (the “Second Lien Representative Amounts”);
- (e) if the payment is of administrative and maintenance costs, fees, expenses and taxes of the Second Lien Debt Issuer including any reporting or listing requirements, in each case in respect of the Second Lien Debt Issuer, and as permitted under the terms of the Credit Facility Documents, the Senior Secured Notes Documents and the Pari Passu Debt Documents;
- (f) if the payment is of costs, commissions, taxes, premiums, amendment consent and/or waiver fees and any expenses incurred in respect of (or reasonably incidental to) the Second Lien Liabilities (including in relation to and reporting or listing requirements or any refinancing of the Second Lien Liabilities in compliance with the Intercreditor Agreement, the Credit Facility Documents, the Senior Secured Notes Documents, the Pari Passu Debt Documents provided that any such amendment, consent and/or waiver fees and expenses are in an amount which, when expressed as a percentage of the principal amount of the Second Lien Liabilities (or affected principal amount) do not exceed the corresponding amounts which have been paid in respect of any amendment, consent and/or waiver fees and expenses incurred in respect of (or reasonably incidental to) the Super Senior Liabilities and/or Senior Secured Liabilities (when expressed as a percentage of the principal amount of the Super Senior Liabilities and/or Senior Secured Liabilities (or affected principal amount));
- (g) if the payment is of the Second Lien Liabilities and such payment is not financed directly or indirectly by a payment to the Second Lien Debt Issuer from a member of the Group which was prohibited (at the time it was made to the Second Lien Debt Issuer) by any prior

ranking Finance Documents or consent of the requisite number of Creditors (or their Agent on their behalf) has been obtained;

- (h) for so long as a Secured Debt Event of Default is continuing, all or part of the Second Lien Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Second Lien Debt Issuer (other than a member of the Group) (each a "Second Lien Debt for Equity Swap") provided that (A) no cash or cash equivalent payment is made in respect of the Second Lien Liabilities by a member of the Group in consideration for such issuance (other than as would be otherwise permitted by another paragraph of this section "—Permitted Payments—Second Lien") and (B) any liabilities owed by a member of the Group to another member of the Group, the Subordinated Creditors or any other holding company of the Second Lien Debt Issuer (other than a member of the Group) that arise as a result of any such Second Lien Debt for Equity Swap are subordinated to the Super Senior Liabilities and Senior Secured Liabilities pursuant to the Intercreditor Agreement and the Super Senior Creditors and Senior Secured Creditors are granted Transaction Security in respect of those liabilities;
- (i) if the payment is of any other amount not exceeding £1,000,000 (or its equivalent in other currencies) in aggregate in any 12 month period; or
- (j) if the Majority Super Senior Creditors and the Notes/Pari Passu Required Holders give prior consent to that Payment being made.

The Intercreditor Agreement will also provide that, on or after the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, Debtors may make payments to the Second Lien Creditors in accordance with the Second Lien Debt Documents.

Permitted Payments—Senior Debt Guarantee Liabilities

The Intercreditor Agreement will also permit payments in respect of Senior Debt Guarantee Liabilities prior to the Secured Debt Discharge Date (as defined below) to be made by the Debtors under the Senior Debt Documents including if:

- (a) (i) the payment is of any principal amount or capitalised interest of the Senior Debt Liabilities or the Senior Debt Issuer Liabilities which is either not prohibited from being paid by prior ranking Finance Documents, or consent of the requisite number of Creditors (or their Agent on their behalf) has been obtained, or is paid on or after the final maturity date of the Senior Debt Liabilities (provided that such maturity date is a date not earlier than the later of the originally scheduled maturity date of the Notes and the Second Lien Notes and final termination date of the credit facilities in existence at the time of issuance of such Senior Debt) or is a payment of any amount in respect of the Senior Debt Liabilities which is not an amount of principal or capitalised interest (such amount including all scheduled interest payments, including, if applicable, special interest or liquidated damages) and default interest on the Senior Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant Debt Document, additional amounts payable as a result of the tax gross up provisions relating to the Senior Debt Liabilities and amounts in respect of currency indemnities in the relevant indenture for the Senior Debt, (ii) no notice of a Secured Debt Event of Default has been delivered by the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative or the Second Lien Debt Representative (as the case may be) (a "Senior Debt Payment Stop Notice"); and (iii) no Secured Debt Payment Default has occurred and is continuing;
- (b) the payment is in accordance with a provision in a Senior Debt Document which is substantially equivalent to the illegality provisions set out in the New Revolving Credit Facility Agreement and no Secured Debt Acceleration Event has occurred;
- (c) the Payment is of the Senior Debt Liabilities outstanding which would have been payable but for the issue of a Senior Debt Payment Stop Notice (which has since expired) which has

been capitalised and added to the principal amount of the Senior Debt Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Senior Debt Liabilities during a period when a Senior Debt Payment Stop Notice was outstanding provided that no such Payment may be made if any Secured Debt Payment Default is continuing or would occur as a result of making such payment;

- (d) the payment is of amounts owing to the Senior Debt Representative in respect of any Senior Debt issued in the form of notes (the "Senior Debt Representative Amounts");
- (e) the payment is of administrative and maintenance costs, fees, expenses and taxes of the Senior Debt Issuer including any reporting or listing requirements, in each case in respect of the Senior Debt Issuer, and as permitted under the terms of the Credit Facility Documents, the Senior Secured Notes Documents, the Pari Passu Debt Documents and the Second Lien Debt Documents or any costs and expenses of any holder of security in relation to the protection, preservation or enforcement of such security;
- (f) the payment is of costs, commissions, taxes, premiums, amendment consent and/or waiver fees and any expenses incurred in respect of (or reasonably incidental to) the Senior Debt Liabilities (including in relation to and reporting or listing requirements or any refinancing of the Senior Debt Documents in compliance with the Intercreditor Agreement, the Credit Facilities, the Senior Secured Notes Documents, the Pari Passu Debt Documents and the Second Lien Debt Documents provided that any such amendment, consent and/or waiver fees and expenses are in an amount which, when expressed as a percentage of the principal amount of the Senior Debt Liabilities (or affected principal amount) do not exceed the corresponding amounts which have been paid in respect of any amendment, consent and/or waiver fees and expenses incurred in respect of (or reasonably incidental to) the Super Senior Liabilities, the Senior Secured Liabilities and/or Second Lien Liabilities (when expressed as a percentage of the principal amount of the Super Senior Liabilities, Senior Secured Liabilities and/or Second Lien Liabilities (or affected principal amount));
- (g) the payment is by the Senior Debt Issuer of the Senior Debt Liabilities and such payment is not financed directly or indirectly by a payment to the Senior Debt Issuer from a member of the Group which was prohibited (at the time it was made to the Senior Debt Issuer) by any Credit Facility Document, the Senior Secured Notes Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents or the Senior Debt Documents;
- (h) for so long as a Secured Debt Event of Default or a Senior Debt Default is continuing, all or part of any liabilities in respect of any Senior Debt being released or otherwise discharged solely in consideration for the issues of shares in any holding company of Senior Debt Issuer (each a "Senior Debt for Equity Swap") provided that (A) no cash or cash equivalent payment is made in respect of the Senior Debt Liabilities and (B) any liabilities owed by a member of the Group to another member of the Group, the Subordinated Creditors or any other holding company of a Senior Debt Issuer that arise as a result of any such Senior Debt for Equity Swap are subordinated to the Super Senior Liabilities and Senior Secured Liabilities pursuant to the Intercreditor Agreement and the Super Senior Creditors and Senior Secured Creditors are granted Transaction Security in respect of any of those Senior Debt Liabilities owed by Senior Debt Issuer;
- (i) if the payment is of any other amount not exceeding £1,000,000 (or its equivalent in other currencies) in aggregate in any 12 month period; or
- (j) if the Majority Super Senior Creditors and the Notes/Pari Passu Required Holders give prior consent to that Payment being made.

The Intercreditor Agreement will also provide that, on or after the Secured Debt Discharge Date, the debtors may make payments to the Senior Debt Creditors or the Senior Debt Issuer in accordance with the Senior Debt Documents.

Permitted Payments—Intra Group Liabilities

The Intercreditor Agreement will also permit payments to be made from time to time when due to lenders owed any Intra Group Liabilities (“Intra Group Liabilities Payments”) if at the time of payment no acceleration event has occurred and is continuing under the Debt Documents (together an “Acceleration Event”).

The Intercreditor Agreement will permit Intra Group Liabilities Payments if:

- (i) an Acceleration Event has occurred prior to the date on which the Super Senior Liabilities are discharged in full (the “Super Senior Discharge Date”), with the consent of the Instructing Group (as defined, and further described, in “—Enforcement Decision”);
- (ii) an Acceleration Event has occurred on or after the Super Senior Discharge Date but prior to the date on which the Senior Secured Liabilities are discharged in full (the “Senior Secured Discharge Date”), with the consent of the Notes/Pari Passu Required Holders (as defined below) (acting through their Agents);
- (iii) an Acceleration Event has occurred on or after the Senior Secured Discharge Date but prior to the date on which the Second Lien Liabilities are discharged in full (the “Second Lien Discharge Date”), with the consent of the Second Lien Debt Required Holders (as defined below) (acting through their Agents);
- (iv) an Acceleration Event has occurred on or after the Secured Debt Discharge Date but prior to the date on which the Senior Debt Liabilities are discharged (the “Senior Debt Discharge Date”), with the consent of the Senior Debt Required Holders (as defined herein) (acting through their Agents);
- (v) that payment is made to facilitate payment of the Super Senior Liabilities or Senior Secured Liabilities;
- (vi) to the extent there is no restriction under the caption “Permitted Payments – Second Lien,” the payment is made to facilitate payments of the Second Lien Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement and, if such payment were made pursuant to the Second Lien Debt Documents, it would be permitted at such time; or
- (vii) to the extent there is no restriction under the caption “Permitted Payments – Senior Debt Guarantee Liabilities,” the payment is made to facilitate payments of the Senior Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement and, if such payment were made pursuant to Senior Debt Guarantees, it would be permitted at such time.

At any time prior to an Acceleration Event, each Debtor may set off or convert its Intra-Group Liabilities into equity, provided that if the existing shares of the relevant Debtor are subject to Transaction Security, subject to any new shares issued as a result thereof automatically falling within the scope of the existing Transaction Security or equivalent Transaction Security is granted in accordance with the terms of the Debt Documents over any such new shares.

Permitted Payments—Shareholder Liabilities

Payments may be made on Shareholder Liabilities from time to time when due if:

- (i) the payment is not prohibited by any prior ranking Finance Documents, or consent of the requisite number of Creditors (or their Agent on their behalf, if applicable) has been obtained;
- (ii) the payment is to be made by the Parent Guarantor to the Senior Debt Issuer or Second Lien Debt Issuer (if it is outside the Group), or in each case its Subsidiary, in respect of any Senior Debt Issuer Liabilities or Second Lien Issuer Liabilities (as applicable) made in order to

make a corresponding payment of Senior Debt Liabilities or Second Lien Liabilities (as applicable) which is then due and payable by the Senior Debt Issuer (as applicable) pursuant to the Senior Debt Documents or the Second Lien Debt Documents (or in the case of a payment in respect of scheduled interest, such payment will become due and payable within three business days) to be made at the time such payment of Shareholder Liabilities is made by the Parent Guarantor to the relevant Senior Debt Issuer or the Second Lien Debt Issuer, or in each case its Subsidiary;

- (iii) prior to the Super Senior Discharge Date, the Instructing Group (as defined below) gives written consent to such payment being made;
- (iv) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Notes/Pari Passu Required Holders (acting through their Agents (as defined below), if applicable) give written consent to such payment being made;
- (v) on or after the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date but prior to the Second Lien Debt Discharge Date, the Second Lien Debt Required Holders (acting through their Agents) give written consent to that payment being made; or
- (vi) on or after the Secured Debt Discharge Date but prior to the Senior Debt Discharge Date, the Senior Debt Required Holders (acting through their Agents (as defined below)) give written consent to such payment being made.

At any time prior to an Acceleration Event, each Shareholder Creditor may set off or convert its Shareholder Liabilities into equity, provided that if the existing shares of the relevant Debtor are subject to Transaction Security, subject to any new shares issued as a result thereof automatically falling within the scope of the existing Transaction Security or equivalent Transaction Security is executed by the relevant shareholder in accordance with the terms of the Debt Documents over any such new shares.

Nothing in the Intercreditor Agreement or any of the Debt Documents shall prohibit or restrict any roll-up or capitalisation of any amount under any Shareholder Debt Document or the issue of any payment in kind instruments in satisfaction of any amount under any Shareholder Debt Document or any forgiveness, write-off or capitalisation of any Shareholder Liabilities or the release or other discharge of any such Shareholder Liabilities; provided that any new shares issued as a result thereof by a member of the Group automatically falls within the scope of the existing Transaction Security or to the extent the existing shares are subject to Transaction Security, equivalent Transaction Security is executed by the relevant shareholder in accordance with the terms of the Debt Documents over any such new shares.

Agent

Under the Intercreditor Agreement, the parties will appoint various creditor representatives or agents. "Agent" means:

- (a) in relation to the lenders under the New Revolving Credit Facility, the facility agent under the New Revolving Credit Facility Agreement;
- (b) in relation to the Credit Facility Lenders under any other Credit Facility, the facility agent in respect of that Credit Facility (an "Additional Credit Facility Agent," and, together with the facility agent under the New Revolving Credit Facility Agreement, a "Credit Facility Agent");
- (c) in relation to the Noteholders, the Notes Trustee;
- (d) in relation to any Pari Passu Creditors, the creditor representative for those Pari Passu Creditors (the "Pari Passu Debt Representative");

- (e) in relation to any Second Lien Creditors, the creditor representative for those Second Lien Creditors (the "Second Lien Debt Representative"); and
- (f) in relation to the Senior Debt Creditors, the creditor representative for those Senior Debt Creditors (the "Senior Debt Representative").

"Agent Liabilities" means the liabilities owed to any Agent of any Debts.

Issue of Second Lien Payment Stop Notice

Until the later to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, subject to limited exceptions or with the prior consent of the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s), and subject to the provisions of the Intercreditor Agreement which deal with the effects of an insolvency event, the Debtors shall procure that no member of the Group shall make, and no Second Lien Creditor may receive from any member of the Group, any payment in respect of the Second Lien Debt which would otherwise be permitted as referred to above (other than certain payments, including the Second Lien Representative Amount and certain amounts relating to the administrative and maintenance costs of the issuer of Second Lien Debt) if:

- (a) a Secured Debt Payment Default (as defined in "—Permitted Payments—Second Lien" paragraph (a)(ii) above) (other than a Second Lien Payment Default) has occurred and is continuing; or
- (b) a Secured Debt Event of Default (other than an event of default under a Second Lien Debt Document (a "Second Lien Debt Default") or a Secured Debt Payment Default) has occurred and is continuing, from the date on which the Credit Facility Agent or the Notes Trustee or the Pari Passu Debt Representative (as the case may be) (the "Relevant Agent") delivers a notice (a "Second Lien Payment Stop Notice") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Second Lien Debt Issuer, the Security Agent and the relevant Second Lien Debt Representative, until the earliest of:
 - (i) the date falling 179 days after delivery of that Second Lien Payment Stop Notice;
 - (ii) the date on which a Second Lien Debt Default occurs for failure to pay principal at the original scheduled maturity of the Second Lien Liabilities;
 - (iii) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;
 - (iv) the date on which the relevant Secured Debt Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;
 - (v) the date on which the Relevant Agent delivers a notice to the Second Lien Debt Issuer, the Security Agent and the relevant Senior Debt Representative cancelling the Second Lien Payment Stop Notice;
 - (vi) the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date; and
 - (vii) the date on which the relevant Second Lien Debt Representative takes any enforcement action that it is permitted to take under the Intercreditor Agreement.
- (c) Unless the relevant Second Lien Debt Representative waives this requirement:
 - (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and

- (ii) no Second Lien Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 60 days after the date the Second Lien Debt Representative received notice of that Secured Debt Event of Default.
- (d) The Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) may serve only one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to paragraph (b) above, this shall not affect the right of the relevant Agent(s) to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances.
- (e) No Second Lien Payment Stop Notice may be served by the relevant Agent(s) in respect of a Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Second Lien Payment Stop Notice was issued.

Paragraphs (a) to (e) above:

- (i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;
- (ii) will not prevent the accrual or capitalisation of interest (including default interest) in accordance with each Second Lien Debt Documents; and
- (iii) will not prevent certain payments permitted under the terms of the Intercreditor Agreement including but not limited to payments in connection with (A) Second Lien Representative Amounts and (B) any payment described in paragraphs (d) to (j) of the section of this document entitled "Permitted Payments—Second Lien."

Cure of Payment Stop: Second Lien Creditors

If at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Secured Debt Payment Default (other than a Second Lien Payment Default):

- (a) that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Secured Debt Payment Default ceases to be continuing; and
- (b) the relevant Debtor then promptly pays to the Second Lien Creditors an amount equal to any Payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Debt Payments, as the case may be, but for that Second Lien Payment Stop Notice, Secured Debt Payment Default or such Secured Debt Acceleration Event,

then any event of default which may have occurred as a result of that suspension of Payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors.

Second Lien Standstill Period

In relation to a relevant Second Lien Debt Default, a Second Lien Debt Standstill Period shall mean the period beginning on the date (the "Second Lien Standstill Start Date") the relevant Second Lien Debt Representative serves a Second Lien Enforcement Notice on the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) in respect of such Relevant Second Lien Debt Default and ending on the earlier to occur of:

- (a) the date falling (the "Second Lien Standstill Period") 179 days after the Second Lien Standstill Start Date;
- (b) the date the Secured Parties take any enforcement action in relation to a Debtor, provided however, that:

- (i) if a Second Lien Standstill Period ends pursuant to this paragraph (b), the Second Lien Creditors may only take the same enforcement action in relation to such Debtor as the enforcement action taken by the Secured Parties against such Debtor and not against any other member of the Group; and
- (ii) enforcement action for the purpose of this paragraph (b) shall not include action taken to preserve or protect any Security as opposed to realize it;
- (c) the date of an Insolvency Event in relation to a Debtor against whom enforcement action is to be taken;
- (d) the date on which a Second Lien Debt Default occurs for failure to pay principal at the original scheduled maturity of the Second Lien Debt; and
- (e) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy).

Restrictions on Enforcement by Second Lien Creditors

Until the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date, except with the prior consent of or as required by the Instructing Group, no Second Lien Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities, except as permitted under the Intercreditor Agreement (see “—Permitted Second Lien Enforcement” below).

Permitted Second Lien Enforcement

- (a) The restrictions detailed in the section entitled “—Restrictions on Enforcement by Second Lien Creditors” will not apply in respect of the Second Lien Liabilities if:
 - (i) a Second Lien Debt Default (the “Relevant Second Lien Debt Default”) is continuing;
 - (ii) the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) have received a notice of the Relevant Second Lien Debt Default specifying the event or circumstance in relation to the Relevant Second Lien Debt Default from the relevant Second Lien Debt Representative;
 - (iii) a Second Lien Standstill Period (as defined below) has elapsed; and
 - (iv) the Relevant Second Lien Debt Default is continuing at the end of the relevant Second Lien Standstill Period.
- (b) Promptly upon becoming aware of a Second Lien Debt Default, the relevant Second Lien Debt Representative may, by notice (a “Second Lien Enforcement Notice”) in writing notify the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) of the existence of such Second Lien Debt Default.

Issue of Senior Debt Payment Stop Notice

- (a) Until the later of the Super Senior Discharge Date and the Senior Secured Discharge Date and the Second Lien Debt Discharge Date (the “Secured Debt Discharge Date”), except with the prior consent of the Credit Facility Agent, the consent of the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representatives, and subject to the provisions of the Intercreditor Agreement which will deal with the effects of an insolvency event, the Debtors shall ensure that no member of the Group (other than the Senior Debt Issuer) shall make, and no Senior Creditor may receive from any member of the Group, any payment in respect of the Senior Debt which would otherwise be permitted as referred to above (other than certain payments, including the Senior Debt Representative Amount and

certain amounts relating to the administrative and maintenance costs of the Senior Debt Issuer) if:

- (i) a payment default under the Secured Debt Documents (a "Secured Debt Payment Default") has occurred and is continuing;
 - (ii) an event of default (subject to certain thresholds) under a Credit Facility Document, the Notes Indenture, the Pari Passu Debt Documents or the Second Lien Debt Documents (other than a Secured Debt Payment Default) (a "Secured Debt Event of Default") has occurred and is continuing, from the date on which the Credit Facility Agent or the Notes Trustee or the Pari Passu Debt Representative or the Second Lien Debt Representative (as the case may be) (the "Relevant Agent") delivers a notice (a "Senior Debt Payment Stop Notice") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Senior Debt Issuer, the Security Agent and the relevant Senior Debt Representative, until the earliest of:
 - A. the date falling 179 days after delivery of that Senior Debt Payment Stop Notice;
 - B. the date on which a Senior Debt Default occurs for failure to pay principal at the original scheduled maturity of the Senior Debt;
 - C. in relation to payments of Senior Debt Liabilities, if a Senior Debt Standstill Period (as defined below) is in effect at any time after delivery of that Senior Debt Payment Stop Notice, the date on which that Senior Debt Standstill Period expires;
 - D. the date on which the relevant Secured Debt Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;
 - E. the date on which the Relevant Agent delivers a notice to the Senior Debt Issuer, the Security Agent and the Senior Debt Representative cancelling the Senior Debt Payment Stop Notice;
 - F. the Secured Debt Discharge Date; and
 - G. the date on which the relevant Senior Debt Representative takes any enforcement action that it is permitted to take under the Intercreditor Agreement.
- (b) Unless the relevant Senior Debt Representative waives this requirement:
- (i) a new Senior Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Debt Payment Stop Notice; and
 - (ii) no Senior Debt Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 60 days after the date the Relevant Agent received notice of that Secured Debt Event of Default.
- (c) The Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) and the Second Lien Debt Representatives may serve only one Senior Debt Payment Stop Notice with respect to the same event or set of circumstances.
- (d) The Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative(s) may not serve a Senior Debt Payment Stop Notice with respect to a Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Senior Debt Payment Stop Notice was issued.

Paragraphs (a) to (d) above:

- (i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;
- (ii) will not prevent the accrual or capitalisation of interest (including default interest) in accordance with each Senior Debt Documents; and
- (iii) will not prevent certain payments permitted under the terms of the Intercreditor Agreement including but not limited to payments in connection with (A) Senior Debt Representative Amounts and any payment described in paragraphs (d) to (j) of the section of this document entitled "Permitted Payments—Senior Debt Guarantee Liabilities."

Cure of Payment Stop: Senior Debt Creditors

If at any time following the issuance of a Senior Debt Payment Stop Notice or the occurrence of a Secured Debt Payment Default:

- (a) the Senior Debt Payment Stop Notice ceases to be outstanding and/or the Secured Debt Payment Default ceases to be continuing, as the case may be; and
- (b) the relevant Debtor then promptly pays to the Senior Debt Creditors or Senior Debt Issuer an amount equal to any payments which had accrued under the Senior Debt Documents and which would have been permitted payments but for that Senior Debt Payment Stop Notice or Secured Debt Event of Default,

then any Event of Default which may have occurred as a result of that suspension of payments shall be waived and any Senior Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Debt Creditors.

Restrictions on Enforcement/Certain Challenges by Senior Debt Creditors

Until the later of the Secured Debt Discharge Date, except with the prior consent of or as required by the Instructing Group, no Senior Debt Creditor shall take or require the taking of any enforcement action in relation to the Senior Debt Guarantee Liabilities except as permitted under the Intercreditor Agreement (see "—Permitted Senior Debt Guarantee Enforcement" below).

Permitted Senior Debt Guarantee Enforcement

- (a) The restrictions detailed in the section entitled "Restrictions on Enforcement/Certain Challenges by Senior Debt Creditors" will not apply in respect of the Senior Debt Guarantee Liabilities or any Shared Security which secures the Senior Debt Liabilities as permitted by the Intercreditor Agreement if:
 - (i) an event of default (or event or circumstance which would, with the expiration of a grace period, the giving of notice, the making of any determination provided for in the relevant definition of "Event of Default" in the Senior Debt Document or any combination of the foregoing, be an event of default) under any Senior Debt Document (a "Senior Debt Default") (such default being a "Relevant Senior Debt Default") is continuing;
 - (ii) the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) have received a notice of the Relevant Senior Debt Default specifying the event or circumstance in relation to the Relevant Senior Debt Default from the Senior Debt Representative;

- (iii) a Senior Debt Standstill Period (as defined below) has elapsed; and
 - (iv) the Relevant Senior Debt Default is continuing at the end of the relevant Senior Debt Standstill Period (as defined below).
- (b) Promptly upon becoming aware of a Senior Debt Default, the Senior Debt Representative may, by notice (a "Senior Debt Enforcement Notice") in writing notify the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) of the existence of such Senior Debt Default.

Senior Debt Standstill Period

In relation to a Relevant Senior Debt Default, a Senior Debt Standstill Period shall mean the period beginning on the date (the "Senior Debt Standstill Start Date") the Senior Debt Representative serves a Senior Debt Enforcement Notice on the Credit Facility Agent, the Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) in respect of such Relevant Senior Debt Default and ending on the earliest to occur of:

- (a) the date falling 179 days after the Senior Debt Standstill Start Date (the "Senior Debt Standstill Period");
- (b) the date the Secured Parties take any enforcement action (excluding any action taken to preserve or perfect any Collateral as opposed to realize it) in relation to a guarantor of Senior Debt (a "Senior Debt Guarantor"), provided that the Senior Debt Creditors may then only take the same enforcement action in relation to the Guarantor as the enforcement action taken by the Secured Parties against such Guarantor and not against any other member of the Group;
- (c) the date of an insolvency event in relation to a Senior Debt Guarantor against whom enforcement action is to be taken;
- (d) the date on which a Senior Debt Default occurs for failure to pay principal at the original scheduled maturity of the Senior Debt; and
- (e) the expiration of any other Senior Debt Standstill Period outstanding at the date such first Senior Debt Standstill Period commenced (unless that expiration occurs as a result of a cure, waiver or other permitted remedy).

The Senior Debt Creditors may take enforcement action as described above in relation to a Relevant Senior Debt Default even if, at the end of any relevant Senior Debt Standstill Period or at any later time, a further Senior Debt Standstill Period has begun as a result of any other Relevant Senior Debt Default.

If the Security Agent has notified the Senior Debt Representative that it is enforcing Transaction Security created over (directly or indirectly) shares of a Senior Debt Guarantor, no Senior Creditor may take any action referred to in the section entitled "—Permitted Senior Debt Guarantee Enforcement," above against that Senior Debt Guarantor while the Security Agent is, in accordance with the instructions of the Instructing Group, taking steps to enforce that Collateral where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Enforcement Instructions

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless instructed or authorized by a provision of the Intercreditor Agreement or otherwise instructed by the relevant Instructing Group or in certain other circumstances by the Second Lien Debt Representatives or the Senior Debt Representatives (as applicable) (as further described in "—Enforcement Decision").

The Secured Parties may not give instructions to the Security Agent as to the enforcement of the Transaction Security other than in accordance with the Intercreditor Agreement.

Subject to the Transaction Security having become enforceable in accordance with its terms and subject to the terms of the Intercreditor Agreement the relevant Instructing Group may give instructions to the Security Agent as to the enforcement of the Transaction Security as they see fit provided that the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below) and the other provisions of the Intercreditor Agreement.

Enforcement Decision

Subject to certain conditions with respect to the make up of the relevant instructing group set out in the Intercreditor Agreement, if either the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders, the Second Lien Debt Required Holders or the Senior Debt Required Holders (in each case acting through their Agents, if applicable) (the relevant "Instructing Group") wish to instruct the Security Agent to commence enforcement of any Transaction Security, such group of creditors must deliver a copy of the proposed instructions as to enforcement (the "Proposed Enforcement Instructions") to the Security Agent and the Agent for each of the Super Senior Creditors, the Notes Trustee, each Pari Passu Debt Representative, each Second Lien Debt Representative and each Senior Debt Representative (as appropriate). The Security Agent shall promptly notify each Agent of the Super Senior Creditors, the Notes Trustee, each of the Pari Passu Debt Representatives, each of the Second Lien Debt Representatives and each of the Senior Debt Representatives upon receipt of such Proposed Enforcement Instructions.

Instructing Group—General

Prior to the Super Senior Discharge Date and subject to the three paragraphs immediately below, if the Security Agent has received any Proposed Enforcement Instructions, then the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Notes/Pari Passu Required Holders (and the Notes/Pari Passu Required Holders shall be the Instructing Group for the purpose of "—Enforcement Instructions," in each case, acting through their respective Agent, if applicable) provided that such instructions are consistent with certain Security Enforcement Principles (as referred to below) and failure to give instructions will be deemed to be an instruction not to take Enforcement steps.

In the event that:

- (a) from the date that is three months after the date upon which the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered, the Security Agent (acting on the instructions of the Notes/Pari Passu Required Holders) has not taken any Enforcement Action of the Transaction Security; or
- (b) the Super Senior Liabilities have not been fully discharged in cash within six (6) months of the date upon which the first such Proposed Enforcement Instructions (including any such instructions not to take Enforcement steps) are delivered,

then (with effect from the date of the earlier to occur of such events), the Majority Super Senior Creditors shall become the Instructing Group for the purposes of "—Enforcement Instructions."

If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, an Agent acting on behalf of the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders, as the case may be, may at any time provide immediate instructions as to enforcement to the Security Agent, notwithstanding any instructions delivered in accordance with the above, if the Majority Super Senior Creditors or the Notes/Pari Passu

Required Holders determine in good faith (and notify the Agents of the other Super Senior Creditors, the Notes Creditors, the Pari Passu Creditors, the Security Agent) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:

- (i) the Security Agent's ability to enforce the Transaction Security; or
- (ii) the realization proceeds of any enforcement of the Transaction Security,

and the Security Agent shall only act with respect to the relevant asset or Debtor that is the subject of the determination pursuant to (i) or (ii) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with certain Security Enforcement Principles (referred to below)).

If at any time an insolvency event has occurred with respect to any Debtor or any person (which is not a Debtor) which grants any Transaction Security in favor of the Secured Parties in respect of the obligations of the Debtors) (a "Security Provider") (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from such Majority Super Senior Creditors, provided that in the event the Security Agent has received Proposed Enforcement Instructions from the Agent for the Notes/Pari Passu Required Holders and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the Agent for the Notes/Pari Passu Required Holders, until such time as the Agents for the Majority Super Senior Creditors acting through their Agents, if applicable, issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the Agent for the Notes/Pari Passu Required Holders.

Other than where the preceding two paragraphs apply, if prior to the Super Senior Discharge Date, the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders (in each case acting reasonably) consider that the Security Agent is enforcing the Security in a manner which is not consistent with the Security Enforcement Principles, the Agents for the Super Senior Creditors, the Noteholders or the Pari Passu Creditors shall give notice to the Agents for the other Super Senior Creditors, the Noteholders or the Pari Passu Creditors (as appropriate) after which Agents for the other Super Senior Creditors, the Noteholders or the Pari Passu Creditors shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant Agents and the Hedge Counterparties may agree) with a view to agreeing the manner of enforcement provided that such Agents shall not be obliged to consult in the manner set out in this paragraph more than once in relation to each enforcement action.

After the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Notes/Pari Passu Required Holders.

After the later to occur of the Super Senior Discharge Date and the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Second Lien Debt Required Holders.

After the Secured Debt Discharge Date but prior to the Senior Debt Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Debt Required Holders.

Instructing Group—Second Lien Creditors

Prior to the Super Senior Discharge Date or, if later, the Senior Secured Discharge Date, if:

- (a) the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or
- (b) in the absence of instructions from the Instructing Group, other than during the period described in paragraphs (a) and (b) of the section entitled “Instructing Group—General,”

and in each case the Instructing Group have not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Second Lien Debt Representative(s) (acting on the instructions of the Second Lien Debt Required Holders) are then entitled to give to the Security Agent as detailed in the section above titled “—Permitted Second Lien Enforcement.” This independent right of enforcement is subject to certain exceptions provided for in the Intercreditor Agreement whereby the relevant Instructing Group can, in certain circumstances, retake control of the enforcement process.

Instructing Group—Senior Debt Creditors

Prior to the Secured Debt Discharge Date, if:

- (a) the Security Agent has, pursuant to the terms of the Intercreditor Agreement, received instructions given by the Senior Debt Required Holders to enforce the Transaction Security; and
- (b) the Instructing Group has not given instructions as to the manner of enforcement of the Shared Security,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Senior Debt Representative(s) (acting on the instructions of the Senior Debt Required Holders) are then entitled to give to the Security Agent under as detailed in the section above titled “—Permitted Senior Debt Enforcement.” This independent right of enforcement is subject to certain exceptions provided for in the Intercreditor Agreement whereby the relevant Instructing Group can, in certain circumstances, retake control of the enforcement process.

Limitation on Enforcement of Shareholder Liabilities

Subject to the below, Shareholder Creditors will not be permitted to take any enforcement action in respect of any of the Shareholder Liabilities at any time prior the last to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, the Second Lien Debt Discharge Date and the Senior Debt Discharge Date (the “Final Discharge Date”) unless:

- (a) such enforcement action is to demand any payment, set-off, account combination or payment netting in relation to any permitted Shareholder Liabilities payments; or
- (b) otherwise directed by the Security Agent.

Subject to the turnover provisions relating to the Second Lien Creditors, Senior Debt Creditors and Subordinated Creditors in the Intercreditor Agreement, after the occurrence of an insolvency event in relation to any Debtor or member of the Group or Security Provider, each Shareholder Creditor may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Shareholder Creditor in accordance with the filing of claims provisions in the Intercreditor Agreement) and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

- (a) accelerate any of that member of the Group's Shareholder Liabilities or declare them prematurely due and payable or payable on demand;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Shareholder Liabilities;
- (c) exercise any right of set-off or take or receive any payment in respect of any Shareholder Liabilities of that member of the Group; or
- (d) claim and prove in the liquidation of that member of the Group for the Shareholder Liabilities owing to it,

but is not permitted to take any other enforcement action.

Limitation on Enforcement of Intra Group Liabilities

Subject to the below, Intra-Group Lenders will not be permitted to take any enforcement action (other than rights of set-off to enable permitted intra-group payments) in respect of any of the Intra-Group Liabilities at any time prior to the Final Discharge Date unless:

- (a) such enforcement action is to demand any payment, set-off, account combination or payment netting in relation to any permitted intra-group payments; or
- (b) otherwise directed by the Security Agent.

After the occurrence of an insolvency event in relation to any member of the Group or any Security Provider, an Intra Group Lender may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra Group Lender in accordance with the Intercreditor Agreement) and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

- (a) accelerate any of that Group member's Intra Group Liabilities or declare them prematurely due and payable or payable on demand;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra Group Liabilities;
- (c) exercise any right of set-off or take or receive any payment in respect of any Intra Group Liabilities of that member of the Group; or
- (d) file claims, or claim and prove in the liquidation of that member of the Group for the Intra Group Liabilities owing to it,

but is not permitted take any other enforcement action.

Security Enforcement Principles

An Agent may only give enforcement instructions that are consistent with the following security enforcement principles (the "Security Enforcement Principles"):

- (a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective, such objective being to maximize, so far as is consistent with prompt and expeditious realisation of value from enforcement of the Transaction Security, and in a manner consistent with the provisions of the Intercreditor Agreement, the recovery by the Super Senior Creditors, the Senior Secured Creditors, the Second Lien Creditors and, to the extent only of any Shared Security, the Senior Debt Creditors (the "Security Enforcement Objective");

- (b) without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced and other enforcement action will be taken such that either:
 - (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the terms of the Intercreditor Agreement (as further described in “—Application of Proceeds from Enforcement of Transaction Security”); or
 - (ii) in the case of enforcement by the Notes/Pari Passu Required Holders sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see “—Application of Proceeds from Enforcement of Transaction Security”), the Super Senior Liabilities are repaid and discharged in full in cash (unless the Majority Super Senior Creditors agree otherwise);

(c) on:

- (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds £5,000,000 (or its equivalent in other currencies); or
- (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists,

then the Security Agent shall, if requested by the Instructing Group, and at the expense of the Parent Guarantor, (to the extent that financial advisors have not adopted a general policy of not providing such opinion) appoint an independent and internationally recognized investment bank or accountancy firm or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third-party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets (in each case not being the firm appointed as the relevant Debtor’s administrator or other relevant officer holder) appointed by the Security Agent (a “Financial Advisor”) to opine as expert that the consideration received from any disposal is fair from a financial point of view after taking into account all relevant circumstances (a “Financial Advisor’s Opinion”);

- (d) the Security Agent has no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement. Prior to making any appointment of a Financial Advisor, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;
- (e) the Financial Advisor’s Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;
- (f) where the Instructing Group is the Notes/Pari Passu Required Holders, the Notes/Pari Passu Required Holders (as applicable) may waive the requirement for a Financial Advisor’s Opinion where sufficient Proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see “—Application of Proceeds from Enforcement of Transaction Security”), the Super Senior Liabilities are repaid and discharged in full; and
- (g) if enforcement of the Transaction Security is conducted by way of Public Auction (as defined below), no Financial Advisor shall be required to be appointed, and no Financial Advisor’s Opinion shall be required, in relation to such enforcement, provided that the Security Agent shall be entitled (but not obligated) to appoint a Financial Advisor to

provide such advice as the Security Agent deems appropriate in relation to such enforcement by way of Public Auction.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Notes Required Holders, the Pari Passu Debt Required Holders of each tranche of Pari Passu Debt, the Second Lien Required Holders (to the extent relating to paragraph (a) above and the Security Agent and the Parent Guarantor.

“Public Auction” means an auction or other competitive sale process of assets, by or on behalf of the Security Agent pursuant to an enforcement of Transaction Security (or by a member of the Group or Security Provider in circumstances that are a Distressed Disposal (as defined below)), the process of such sale or disposal having been conducted as follows:

- (a) prior to the sale or other disposal, the Security Agent shall, in respect of such auction or other competitive sale process, consult with an independent and internationally recognized investment bank or accounting firm selected by the Security Agent (acting reasonably) with respect to the procedures which may reasonably be expected to be used to obtain a fair market price in the then prevailing market conditions (taking into account all relevant circumstances and in order to facilitate a prompt and expeditious sale at a fair market price in the prevailing market conditions although there shall be no obligation to postpone any such sale in order to achieve a higher price);
- (b) the Security Agent shall have implemented (to the extent permitted by law) in all material respects the procedures recommended by such bank or firm in relation to such auction or process;
- (c) the Secured Parties shall have a right to participate including as part of a consortium and as prospective buyers and/or financiers.

For the purposes of paragraphs (a), (b) and (c) above:

- (i) the Security Agent shall be entitled to retain any such independent and internationally recognized investment bank or accounting firm as its and/or any of the other Secured Parties’ financial advisor to advise and assist in the proposed sale or disposition for such remuneration as the Security Agent in good faith determines is appropriate for the circumstances;
- (ii) except as required by applicable law, the Security Agent shall not have any obligation to any person to engage in or to use reasonable efforts to engage in a listing of any or all of any equity interests the subject of such auction or other competitive sale process, including, without limitation, if recommended by such investment bank or accounting firm;
- (iii) by reason of certain prohibitions, or exemptive or safe-harbor provisions from such prohibitions, contained in law or regulations of any applicable governmental authority, the Security Agent may, with respect to any sale of all or any part of such equity interests or assets:
 - A. limit purchasers to those who meet the requirements of such governmental authority or exemptive or safe-harbor provision (as applicable) and/or make representations and undertakings satisfactory to the Security Agent relating to compliance with such requirements and/or provisions; and/or
 - B. limit purchasers to persons who will agree, among other things to acquire such shares for their own account, for investment and not with a view to the distribution or resale thereof;
- (iv) the Security Agent and other Secured Parties shall not under any circumstances be required to make representations, warranties or undertakings to any actual or proposed purchaser (other than customary representations in a security enforcement as to power to transfer the

relevant equity interests pursuant to the Transaction Security Documents) or to indemnify any actual or proposed purchaser against any costs, liabilities or similar expenses or losses;

- (v) without limitation to the other circumstances of the sale or other disposition that the Security Agent and such investment bank or accounting firm may take into consideration, the Security Agent may (but is not required to) in all circumstances specify that no offer to purchase equity interest or other assets will be entertained unless such offer:
 - A. is for all (and not some only) of the equity interests being sold or otherwise disposed;
 - B. is for cash consideration payable at closing (and therefore not including, for the avoidance of doubt, any element of deferred compensation) and is not subject to any financing conditions; and/or
 - C. contemplates a closing of the sale of the equity interests or other assets in not more than three (3) months (or such longer period as the Security Agent may specify) from the time of initiation of the sale or disposition process; and
- (vi) a "right to participate":
 - A. means (I) any offer, or indication of a potential offer, that a Secured Party makes shall be considered by the Security Agent or such investment bank or accounting firm against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder and (II) each Secured Party, that is considering making an offer in any Public Auction is provided with the same information (including any due diligence reports and access to management that is being provided to any other bidder at the same stage of the process). For the avoidance of doubt, if after having applied that same criteria and provided the same information, the offer or indication of a potential offer made by a Secured Party, is not considered by the Security Agent or such investment bank or accounting firm to be sufficient to continue in the sale or disposal process, such consideration being against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder (such continuation may include being invited to review additional information or being invited to have an opportunity to make a subsequent or revised offer, whether in another round of bidding or otherwise) then the right to participate of that Secured Party, under the Intercreditor Agreement shall be deemed to be satisfied. The Second Lien Creditors and Senior Debt Creditors shall not have access to any due diligence report commissioned by the Super Senior Creditors and/or Senior Secured Creditors or any agent or adviser on their behalf, whether or not any such due diligence report is addressed to, or capable of being relied upon by, any member of the Group or any holding company of the Parent Guarantor, which relates to the possible implementation of any enforcement action, debt restructuring and/or sales process which may or will involve the release and/or compromise of any of the Second Lien Liabilities and/or Senior Debt Liabilities, any guarantees given for the Second Lien Liabilities and/or Senior Debt Liabilities or any Transaction Security (the "Senior Secured Enforcement Advice"). Where any due diligence report that has been shared with any potential third-party purchaser under a Public Auction includes any Senior Secured Enforcement Advice, the Second Lien Creditors and Senior Debt Creditors shall have access to the relevant report with the Senior Secured Enforcement Advice redacted. Super Senior Creditors and Senior Secured Creditors shall have access to reports commissioned by the Second Lien Creditors and Senior Debt Creditors on the same basis only; and
 - B. shall not apply if the Security Agent believes in good faith that it may (or there is a risk that it may) result in a violation of any applicable laws or that it may (or there is a risk that it may) result in a requirement for registration under any applicable securities laws.

For the purposes of paragraph (a), such investment bank or accounting firm may be instructed by the Security Agent to take the limitations set out in subparagraphs (i) to (vi) (inclusive) above into account and to formulate recommendations that are consistent with them.

Exercise of Voting Rights

Each Intra Group Lender and Subordinated Creditor will (to the fullest extent permitted by law at the relevant time) cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent and the Security Agent shall give instructions for these purposes as directed by the Instructing Group, provided that such instructions have been given in accordance with the terms of the Intercreditor Agreement.

Turnover

Turnover by Primary Creditors

The Intercreditor Agreement will provide that if any time prior to the Final Discharge Date, any Super Senior Creditor, Notes Creditor, Pari Passu Creditor, Second Lien Creditor, Non-Super Senior Hedge Counterparty or Senior Debt Creditor (collectively the "Primary Creditors") receives or recovers or otherwise realizes the proceeds of any enforcement of any Transaction Security or any other amounts which should otherwise be received, recovered or realized by the Security Agent (whether before or after an insolvency event) other than in accordance with the payment waterfall described in "—Application of Proceeds from Enforcement of Transaction Security," that Primary Creditor will, subject to certain exceptions:

- (a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for (or on behalf of) the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- (b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover by Senior Debt Creditors, Second Lien Creditor and Subordinated Creditors

The Intercreditor Agreement will provide that if at any time prior to the Final Discharge Date, any Senior Debt Creditor, Second Lien Creditor or any creditor of any Subordinated Liabilities receives or recovers:

- (a) any payment or distribution of, or on account of, or in relation to any such liabilities which is not otherwise permitted under the Intercreditor Agreement or made in accordance with the payment waterfall described in "—Application of Proceeds from Enforcement of Transaction Security";
- (b) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any such liabilities which does not give effect to a payment permitted under the Intercreditor Agreement or enforcement action which is otherwise permitted to be made, received or taken by the relevant creditor under the Intercreditor Agreement;
- (c) other than by way of set-off permitted under the Intercreditor Agreement, any amount on account of, or in relation to, any of such liabilities after the occurrence of an Secured Debt

Acceleration Event or the enforcement of any Transaction Security (a “Distress Event”) or as a result of any other litigation or proceedings against a Debtor or a member of the Group (other than after the occurrence of an insolvency event in respect of that Debtor or that member of the Group), other than, in each case, any amount received or recovered in accordance with the payment waterfall described in “—Application of Proceeds from Enforcement of Transaction Security”;

- (d) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any of such liabilities after the occurrence of a Distress Event other than any amount received or recovered in accordance with the payment waterfall described in “—Application of Proceeds from Enforcement of Transaction Security”; or
- (e) other than by way of set-off permitted under the Intercreditor Agreement, any distribution in cash or in kind or payment of, or on account of or in relation to, any of such liabilities which is not made in accordance with the payment waterfall described in “—Application of Proceeds from Enforcement of Transaction Security” and which is made as a result of, or after, the occurrence of an insolvency event in respect of that Debtor,

the relevant Senior Debt Creditor, Second Lien Creditor or Subordinated Creditor (as applicable) will, subject to certain exceptions:

- (i) in relation to receipts or recoveries not received or recovered by way of set-off (A) hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (B) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds from Enforcement of Transaction Security

The Intercreditor Agreement provides that amounts received from the realization or enforcement of all or any part of the Transaction Security will be applied in the following order of priority:

- (a) first, *pari passu* and *pro rata* in or towards payment of any sums owing to the Security Agent or any delegate appointed by the Security Agent or any receiver;
- (b) second, *pari passu* and *pro rata* in or towards payment of (A), any amounts owing to the Notes Trustee, any *Pari Passu* Debt Representative in respect of any *Pari Passu* Debt issued in the form of notes, any amounts owing to the Second Lien Debt Representative in respect of any Second Lien Debt issued in the form of notes, any Senior Debt Representative Amounts payable to the Senior Debt Representative and (B) the liabilities owed to the RCF Agent and each Agent (to the extent not included in the foregoing) of any unpaid fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant Secured Debt Documents) of each such Agent and any receiver, attorney or agent appointed by such Agent under any Transaction Security Document or the Intercreditor Agreement (to the extent that such Transaction Security has been given in favor of such obligations);
- (c) third, *pari passu* and *pro rata* in or toward payment of all costs and expenses incurred by the Super Senior Creditors and the Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- (d) fourth, *pari passu* and *pro rata* in or toward payment to: (i) the RCF Agent on behalf of the New Revolving Credit Facility finance parties and on behalf of the arrangers under the New Revolving Credit Facility and each Agent in respect of a Credit Facility on behalf of the arrangers and lenders under and in respect of that Credit Facility; and (ii) the Super Senior Hedge Counterparties in respect of the Super Senior Hedging Liabilities, for application towards the discharge of (A) the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under the New Revolving Credit Facility and the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under such Credit Facility) in accordance with the terms of the Credit Facility Documents and (B) the Super Senior Hedging Liabilities on a *pari passu* and *pro rata* basis as between (A) and (B);
- (e) fifth, *pari passu* and *pro rata* to: (i) the Notes Trustee on behalf of the Noteholders for application towards the discharge of the Senior Secured Notes Liabilities, (ii) the relevant Agent on behalf of the Pari Passu Creditors for application towards the discharge of the Pari Passu Liabilities and (iii) to the Non-Super Senior Hedge Counterparties for application towards the discharge of the Non-Super Senior Hedging Liabilities on a *pari passu* and *pro rata* basis as between (i) and (ii) and (iii); and
- (f) sixth, in or towards payment to each Second Lien Debt Representative on behalf of the Second Lien Creditors (or, if there is no Second Lien Debt Representative on behalf of the Second Lien Creditors, such Second Lien Creditors) for application towards the discharge of the Second Lien Liabilities owed to the Second Lien Creditors (in accordance with the Second Lien Debt Documents) on a *pari passu* and *pro rata* basis;
- (g) seventh, to the extent paid out of enforcement proceeds resulting from the enforcement of Shared Security, the Senior Debt Guarantee or proceeds from a Distressed Disposal in relation to assets which were previously subject to such Shared Security, in payment or distribution to each Senior Debt Representative on behalf of the Senior Debt Creditors or, if there is no Senior Debt Representative acting on behalf of any relevant Senior Debt Creditors, such Senior Debt Creditors for application towards the discharge of the Senior Debt Liabilities owed to the Senior Debt Creditors (in accordance with the terms of the Senior Debt Documents) on a *pari passu* and *pro rata* basis; and
- (h) the balance, if any, in payment or distribution to the Security Providers, any member of the Group or any other party entitled to receive it.

Notwithstanding any provision relating to the application of proceeds from enforcement of Transaction Security set out in the Intercreditor Agreement, no Secured Party will be entitled to receive any recovery from the realisation or enforcement of all or any part of the Transaction Security unless that recovery is received in connection with the realisation or enforcement of Transaction Security which is secured with Secured Liabilities (and only to the extent of such Secured Liabilities) that are due and owing to such Secured Party.

Release of the Guarantees and the Security

Non-Distressed Disposal

Notwithstanding anything to the contrary in the Intercreditor Agreement, if, in respect of a disposal of, or in respect of:

- (a) an asset by a Debtor or Security Provider; or
- (b) an asset which is subject to the Transaction Security,

and such disposal, is not being effected (a) by enforcement of the Transaction Security; (b) at the request of the Instructing Group, after the Transaction Security has become enforceable; or (c) being effected, after the occurrence of a Distress Event, by a Debtor or a Security Provider, to a person or persons which is not a member, or members, of the Group (each a "Distressed

Disposal”) and the Parent Guarantor certifies in good faith for the benefit of the Security Agent (or any applicable Creditor party to a Transaction Security Document) that: (A) the disposal is not prohibited under the Finance Documents or consent of the requisite number of Creditors (or their Agent on their behalf, if applicable) has been obtained and customary accompanying evidence has been provided; and (B) the disposal is not a Distressed Disposal, such disposal, a “Non-Distressed Disposal”), the Intercreditor Agreement will provide that the Security Agent is irrevocably instructed, obliged and authorized (without any consent, sanction, authority or further confirmation from any Creditor, Debtor, Security Provider, the Parent Guarantor or Notes Trustee) but subject to certain exceptions contained in the New Revolving Credit Facility Agreement promptly to enter into documentation reasonably required by the Parent Guarantor (i) to release the Transaction Security (including for the avoidance of doubt, any shared assurance), or any other claim relating to a Debt Document over the relevant asset; (ii) where that asset consists of shares in the capital of a Debtor, to release the Transaction Security (including, for the avoidance of doubt, any shared assurance), any guarantee liabilities or any other claim (relating to a Debt Document) over that Debtor and its assets and the shares in and assets of any of its subsidiaries and (iii) to execute and deliver or enter into any release of the Transaction Security (including, for the avoidance of doubt, any shared assurance, any guarantee liabilities or any claim described in sub-paragraphs (i) and (iii) above and issue any certificates of non-crystallisation of any floating charge (or similar concepts under relevant applicable local law, if any) or any consent to dealing that may, be reasonably requested by the Parent Guarantor, provided that in the case of a disposal made within the Group to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security will (subject to any other requirements relating to the release, retaking, amendment or extension of the Transaction Security under the Debt Documents) be granted at the same time (or before) the relevant disposal is effected.

In circumstances where a Debtor or Security Provider (as defined below) requests to be released from its Guarantee Liabilities and/or Transaction Security in connection with any transaction (including the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) in respect of which the Parent Guarantor (acting reasonably and in good faith) certifies to each Agent and the Security Agent that it is not prohibited under any Finance Document or, if prohibited, the required creditor consent has been obtained and accompanying customary evidence of such required creditor consent has been provided, the Security Agent is irrevocably instructed, obliged and authorised (at the cost of the relevant Debtor or the Company) by all applicable Parties (without any consent, sanction, authority or further confirmation from any Creditor or Debtor or Security Provider or the Parent Guarantor or, without limitation, any Notes Trustee) promptly to enter into documentation reasonably required by the Parent Guarantor and acceptable to the Security Agent (acting reasonably); (i) to release that Debtor and/or Security Provider from any such Guarantee Liabilities; (ii) to release the Transaction Security or any other claim granted by that Debtor or Security Provider or any Subsidiary thereof over any of their respective assets; (iii) to release any other claim of a Subordinated Creditor, or of another Debtor over that Debtor or Security Provider’s assets or over the assets of any Subsidiary of that Debtor or Security Provider; and (iv) to execute and deliver or enter into any release of the Transaction Security, any Guarantee Liability or any claim described above and issue any certificates of non-crystallisation of any floating charge (or similar concepts under relevant applicable local laws, if any) or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

If any proceeds from a Non-Distressed Disposal are required to be applied in mandatory prepayment of any of the Secured Liabilities or to be offered to any Secured Party pursuant to the terms of the Secured Debt Documents, then such proceeds will be applied in or towards payment of such Secured Liabilities or shall be offered to the relevant Secured Parties in accordance with the terms of the relevant Secured Debt Documents and the consent of any other party will not be required for that application.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is irrevocably instructed and authorized (at the cost of the relevant Debtor or the Parent Guarantor) and without any consent, sanction, authority or further confirmation from any Creditor, Debtor, Security Provider or the Parent Guarantor: (a) to release the Transaction Security, or any other claim over the asset subject to the Distressed Disposal and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallisation of any floating charge (or similar concepts under relevant applicable local law) or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable; (b) if the asset which is subject to the Distressed Disposal consists of shares in the capital of a Debtor, to release (or instruct to release) that Debtor and any subsidiary of that Debtor from all or any part of (i) its borrowing liabilities in respect of the Debt Documents (other than borrowing liabilities owed by any Second Lien Debt Issuer or owed by the Senior Secured Notes Issuer to the Primary Creditors), its liabilities as guarantor in respect of the Debt Documents and any trading or other liabilities (not being borrowing or guaranteeing liabilities) it may have to an Intra Group Lender or another Debtor ("Other Liabilities"); (ii) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; (iii) any other claim of a Subordinated Creditor, or of another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant Creditor and Debtors; and (c) if the asset which is subject to the Distressed Disposal consists of shares in the capital of any holding company of a Debtor, to release (or instruct to release) that holding company and any subsidiary of that holding company from all or any part of (i) its borrowing liabilities in respect of the Debt Documents (other than borrowing liabilities owed by any Second Lien Debt Issuer or owed by the Senior Secured Notes Issuer to the Primary Creditors), its liabilities as guarantor in respect of the Debt Documents and any Other Liabilities; (ii) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (iii) any other claim of a Subordinated Creditor or another Debtor over the assets of any Subsidiary of that holding company.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will also provide that the Security Agent is authorized:

- (a) if the asset which is subject to the Distressed Disposal consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) decides to dispose of all or any part of the liabilities of that Debtor or holding company or any subsidiary of that Debtor or holding company (as the case may be) under the Debt Documents (other than borrowing liabilities owed by any Second Lien Debt Issuer and the Issuer to a Primary Creditor) or any liabilities owed by such Debtor, holding company or subsidiary to another Debtor ("Debtor Liabilities"):
 - (i) if the Security Agent does not intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor or such Debtor Liabilities provided that notwithstanding any other provision of any Debt Document the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; or
 - (ii) if the Security Agent does intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor and all or any part of such Debtor Liabilities and any other liabilities under the Debt Documents,

on behalf, in each case, of the relevant creditors and Debtors.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will also provide that the Security Agent is authorized, if the asset which is subject to the Distressed Disposal consists of shares in the capital of a Debtor or a holding company of a Debtor (the "Disposed Entity") and the Security Agent decides to transfer to another Debtor (the "Receiving Entity") all or any part of that Disposed Entity's obligations (or any obligations of any subsidiary of that Disposed Entity) in respect of Intra Group Liabilities or Debtor Liabilities, to enter into any agreement (a) to transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (b) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

Certain Limitations on Release—Second Lien Debt

If on or after the first date that Second Lien Debt is issued but before the date that all Second Lien Debt has been fully and finally discharged ("the Second Lien Debt Discharge Date"), a Distressed Disposal is being effected such that the Transaction Security and/or guarantee liabilities will be released, it is a further condition to the release that either:

- (a) the Second Lien Debt Representative has approved the release on the instructions of the Second Lien Debt Required Holders; or
- (b) where shares or assets of a Debtor or any subsidiary of that Debtor are sold:
 - (i) the proceeds of such sale or disposal are in cash (or substantially in cash);
 - (ii) all present and future obligations owed to the Secured Parties under the Credit Facility Documents, the Hedging Agreements, the Senior Secured Notes Documents and the Pari Passu Debt Documents by a member of the Group, all or part of whose shares are pledged in favor of the Secured Parties are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its Affiliates), and all Security under the Transaction Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):
 - (A) where the Super Senior Creditors or the Senior Secured Creditors constitute the Instructing Group, the Credit Facility Agent, Notes Trustee and Pari Passu Debt Representative:
 - (I) determine acting reasonably and in good faith that the finance parties under the New Revolving Credit Facility Agreement (the "RCF Finance Parties"), the Note Creditors and the Pari Passu Creditors (respectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities and/or Senior Secured Liabilities; and
 - (II) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser);
 - (B) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Debt Representative:
 - (I) determine acting reasonably and in good faith that the RCF Finance Parties, the Notes Creditors, the Pari Passu Creditors and Second Lien Creditors

(respectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities, Senior Secured Liabilities and/or Second Lien Liabilities; and

- (II) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

- (I) pursuant to a Public Auction; or
- (II) in circumstances where (x) the Security Agent (acting in good faith) considers that a sale or disposal pursuant to a Public Auction is not reasonably practicable taking into account all relevant circumstances or (y) following an attempted sale or disposal pursuant to a Public Auction, the highest final bid or offer received by the Security Agent pursuant to the Public Auction is less than par value of the outstanding Senior Secured Liabilities, where a Financial Advisor confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances (including the method of enforcement), although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price and provided that the liability of such Financial Advisor in giving such confirmation may be limited to the amount of its fees in respect of such engagement.

Certain Limitations on Release—Senior Debt

If on or after the first date on which Senior Debt is issued but before the Senior Debt Discharge Date, a Distressed Disposal is being effected such that the Senior Debt Guarantees will be released, it is a further condition to the release that either:

- (a) the Senior Debt Representative has approved the release on the instructions of the Senior Debt Required Holders; or
- (b) where shares or assets of a Senior Debt Guarantor are sold:
 - (i) the proceeds of such sale or disposal are in cash (or substantially in cash);
 - (ii) all present and future obligations owed to the Secured Parties under the Credit Facility Documents, the Hedging Agreements, the Senior Secured Notes Documents, the Second Lien Debt Documents and the Pari Passu Debt Documents by a member of the Group, all or part of whose shares are pledged or charged in favor of the Secured Parties are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all or part of the security under the Transaction Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):
 - A. where the Super Senior Creditors, the Senior Secured Creditors or Second Lien Creditors, constituted the Instructing Group, the Credit Facility Agent, the Notes Trustee and the Pari Passu Debt Representative and Second Lien Debt Representative:
 - (i) determine acting reasonably and in good faith that the finance parties under the New Revolving Credit Facility, the Notes Creditors, Second Lien Creditors and the Pari Passu Creditors (respectively) will recover more than if such claim

was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities, Senior Secured Liabilities and/or Second Lien Liabilities; and

- (ii) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser);

B. where the Senior Debt Creditors constitute the Instructing Group, the Senior Representative:

- (i) determine acting reasonably and in good faith that the RCF Finance Parties, the Notes Creditors, the Pari Passu Creditors, the Second Lien Creditors and the Senior Debt Creditors (respectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities and/or Senior Debt Liabilities; and

- (ii) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(iii) such sale or disposal (including any sale or disposal of any claim) is made:

A. pursuant to a Public Auction; or

B. where a Financial Advisor confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances (including the method of enforcement), although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price and provided that the liability of such Financial Advisor in giving such confirmation may be limited to the amount of its fees in respect of such engagement.

In the case of a Distressed Disposal (or disposal of liabilities pursuant to the second paragraph of section “—Distressed Disposal” above, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have an obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor Liabilities pursuant to the second paragraph of section “—Distressed Disposal” above) shall be paid to the Security Agent for application in accordance with the payment waterfall described in “—Application of Proceeds from Enforcement of Transaction Security,” as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of such liabilities has occurred, as if that disposal of such liabilities had not occurred.

In this section:

“ISDA Master Agreement” means a 1992 ISDA Master Agreement or a 2002 ISDA Master Agreement;

“Majority Super Senior Creditors” means those Super Senior Creditors whose super senior credit participations at that time aggregate more than 66 2/3% of the total super senior credit participations at that time;

“Notes/Pari Passu Required Holders” means, at any time, those Senior Secured Creditors whose Senior Secured Credit Participations at that time aggregate more than 50% of the total Senior Secured Credit Participations (as defined herein) at that time;

“Pari Passu Debt Required Holders” means in respect of any direction, approval, consent or waiver to be granted by a tranche of the Pari Passu Debt, the Pari Passu Creditors of the principal amount of the relevant tranche of Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant Pari Passu Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding relevant tranche of Pari Passu Debt, in accordance with the relevant Pari Passu Debt Documents. For the avoidance of doubt, in determining whether the Pari Passu Creditors of the required principal amount of the relevant tranche of Pari Passu Debt have concurred in any direction, waiver or consent, relevant Pari Passu Debt owned by any Debtor, or by any Sponsor Affiliate, or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor (other than any Independent Debt Fund), will be considered as though not outstanding.

“Relevant Enforcement Action” means either (a) the determination by the Instructing Group of the method of enforcement of Transaction Security or (b) the appointment of a Financial Advisor by the Instructing Group to assist in such determination;

“Senior Debt Guarantees” means each senior subordinated guarantee by a Senior Debt Guarantor of the obligations of the Senior Debt Issuer under the Senior Debt Documents which shall be made expressly subject to the provisions of the Intercreditor Agreement in a legally binding manner;

“Senior Debt Required Holders” means, in respect of any direction, approval, consent or waiver to be granted by a tranche or class of Senior Debt Creditors, the Senior Debt Creditors of the principal amount of the relevant tranche or class of Senior Debt required to vote in favor of such direction, approval, consent or waiver under the terms of the relevant Senior Debt Documents, or, if the required amount is not specified, the holders holding at least a majority of the principal amount of the then outstanding relevant tranche or class of Senior Debt, in accordance with the relevant Senior Debt Documents. For the avoidance of doubt, in determining whether the Senior Debt Creditors of the required principal amount of relevant tranche or class of Senior Debt have concurred in any direction, waiver or consent, relevant Senior Debt owned by any Debtor, or by any Sponsor Affiliate or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor (other than an Independent Debt Fund), will be considered as though not outstanding;

“Senior Secured Credit Participations” means, in relation to a Senior Secured Creditor (other than an Agent), the aggregate of: (a) its principal amount (including capitalised interest, if applicable) outstanding under the Notes; (b) its principal amounts (including capitalised interest, if applicable) outstanding under the Pari Passu Debt Documents; and (c) in respect of any transaction of that Senior Secured Creditor under any Hedging Agreement that constitutes a Non-Super Senior Hedging Liability and that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of the Intercreditor Agreement, the amount (if any) payable to it under any Hedging Agreement to the extent it constitutes a Non-Super Senior Hedging Liability in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent the amount is unpaid (that amount to be certified by the relevant Senior Secured Creditor and as calculated in accordance with the relevant Hedging Agreement).

“Senior Secured Notes Required Holders” means in respect of any direction, approval, consent or waiver, the Notes Trustee acting on behalf of the relevant Noteholders of the principal amount of the then outstanding Notes required or permitted under the terms of the Notes Indenture to vote in favor of such direction, approval, consent or waiver under the terms of the Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the aggregate principal amount of the then outstanding Notes, in accordance with the Notes Indenture. For the avoidance of doubt, in determining whether the Noteholders of

the required principal amount of Notes have concurred in any direction, approval, consent or waiver, Notes owned by any Debtor, or by any Sponsor Affiliate or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor other than an Independent Debt Fund, will be considered as though not outstanding, except that for the purpose of determining whether the Notes Trustee will be protected in relying on any such direction, approval, waiver or consent, only Notes that the Notes Trustee knows are so owned will be disregarded.

Amendment

Save as otherwise required or permitted by (A) customary exceptions in relation to, among other things, the issuance or take up of new and incremental liabilities, exceptions provisions, snooze and lose provisions and disenfranchisement of defaulting lenders and (B) customary minor, technical or administrative matter amendments which may be effected by the Security Agent and the Parent Guarantor, the Intercreditor Agreement will provide that it may be amended with only the written consent of the Parent Guarantor and the Security Agent (insofar as the amendment or waiver might materially and adversely affect the rights, ranking, immunities or protections of the Security Agent) and the respective Agent acting in accordance with the relevant Finance Document provided that to the extent an amendment, waiver or consent only affects one class of Secured Party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of Secured Party, only written agreement from the Agents representing the required portion of the relevant affected class shall be required.

Subject to certain exceptions, an amendment, waiver or consent that has the effect of changing or which relates to: (a) any amendment to the turnover provisions, redistribution provisions, enforcement of Transaction Security, process of disposals, application of proceeds provisions or amendment; (b) certain provisions relating to the giving of instructions to the Security Agent or the exercise of discretion by the Security Agent; or (c) the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of the Parent Guarantor, each of the Hedge Counterparties (to the extent that the amendment or waiver would materially and adversely affect the Hedge Counterparty) and each of the Agents acting in accordance with the relevant Finance Documents provided that, in relation to any Notes Trustee, such consent shall be required only insofar as the relevant amendment or waiver would materially and adversely affect the rights, ranking, immunities or protections of that Notes Trustee or the relevant Creditors which it represents, except in any such case any amendments or waivers pursuant to or in connection with new, incremental and replacement liabilities (as detailed in "*—Further Security, Incremental and Replacement Liabilities*") or consequential on, incidental to or required to implement or reflect any financing described therein will not require creditor consent.

Subject to the paragraphs above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent (which may be received through its Agent, if applicable) of the affected party.

Snooze/Lose

The Intercreditor Agreement contains a snooze/lose provision that provides that if in relation to:

- (a) a request for a consent, approval, release or waiver in relation to any of the terms of the Intercreditor Agreement;
- (b) a request to participate in any other vote under the terms of the Intercreditor Agreement;
- (c) a request to approve any other action under the Intercreditor Agreement; or
- (d) a request to provide any confirmation or notification under the Intercreditor Agreement,

then, in each case, any Primary Creditor (other than any Primary Creditor whose Liabilities from the Group take the form of or are evidenced by debt securities listed on an recognized exchange including for the avoidance of doubt the Senior Secured Notes and the Second Lien Notes) (an "Excluded Creditor"):

- (i) fails to respond to that request within 10 Business Days (or any other period of time notified by the Parent Guarantor, with the prior agreement of the Security Agent if the period for this provision to operate is less than 10 Business Days) of that request being made; or
- (ii) fails to provide details of its Super Senior Credit Participation, Senior Secured Credit Participation, Second Lien Credit Participation or Senior Debt Credit Participation (the "Participation") to the Security Agent within the timescale specified by the Security Agent:
 - (A) in the case of paragraphs (a) to (c) above, that Excluded Creditor's relevant Participation shall be deemed to be zero for the purpose of calculating the relevant total Participations when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of the total Participations has been obtained to give that consent, approval, release or waiver, carry that vote or approve that action;
 - (B) in the case of paragraphs (a) to (c) above, that Excluded Creditor's status in its relevant capacity shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of Primary Creditors has been obtained to give that consent, approval, release or waiver, carry that vote or approve that action; and
 - (C) in the case of paragraph (d) above, that confirmation or notification shall be deemed to have been given.

Option to Purchase: Second Lien Creditors

The Second Lien Creditors (the "Purchasing Second Lien Creditors") may, following a Distress Event or for so long as either (i) a Second Lien Payment Stop Notice or (ii) a Second Lien Standstill Period is outstanding, by giving not less than 10 days' notice to the Credit Facility Agent, the Hedge Counterparties, the Notes Trustee and the Agents of the Pari Passu Creditors, acquire or procure the acquisition by a person or persons nominated by the Purchasing Second Lien Creditors of all (but not part only) of the rights and obligations of the Super Senior Creditors and the Senior Secured Creditors in connection with the Credit Facility Lender Liabilities under the Credit Facility Documents, the Hedging Liabilities under the Hedging Agreements, the Senior Secured Notes Liabilities under the Senior Secured Notes Documents and the Pari Passu Creditors under the Pari Passu Debt Documents (for the purposes of this section only, the "Priority Acquisition Debt").

If more than one Purchasing Second Lien Creditor wishes to exercise the option to purchase the Priority Acquisition Debt in accordance with paragraph (a) above, each such Purchasing Second Lien Creditor shall acquire the Priority Acquisition Debt *pro rata*, in the proportion that its Second Lien Credit Participation bears to the aggregate Second Lien Credit Participations of all the Purchasing Second Lien Creditors. Any Purchasing Second Lien Creditors wishing to exercise the option to purchase the Priority Acquisition Debt shall inform the relevant Second Lien Debt Representative in accordance with the terms of the relevant Second Lien Debt Documents, who will determine (consulting with each other as required) the appropriate share of the Priority Acquisition Debt to be acquired by each such Purchasing Second Lien Creditor and who shall inform each such Purchasing Second Lien Creditor accordingly. Furthermore, the Second Lien Debt Representative shall promptly inform the Agents of the Credit Facility Lenders, the Notes

Trustee, the Hedge Counterparties and the Pari Passu Debt Representatives of the Purchasing Second Lien Creditors' intention to exercise the option to purchase the Priority Acquisition Debt.

Option to Purchase: Second Lien Creditors—Terms

Any such purchase will be on terms which will include, without limitation, (a) lawful transfer (b) payment in full in cash of an amount equal to the Credit Facility Lender Liabilities, the Senior Secured Notes Liabilities, Pari Passu Liabilities and relevant hedging purchase amount (as determined in accordance with the Intercreditor Agreement) then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the creditors in respect of the relevant Secured Liabilities; (c) after the transfer, no Credit Facility Lender, Hedge Counterparty, Notes Creditor or Pari Passu Creditor will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document, any Hedging Agreement, any Notes Document, any Pari Passu Debt Document for which it is not holding cash collateral in an amount and on terms satisfactory to it; (d) the Purchasing Second Lien Creditors, other than the Second Lien Debt Representative (or if required by the Credit Facility Lenders, Hedge Counterparties, Noteholders or Pari Passu Creditors, a third-party acceptable to the Credit Facility Lenders, Hedge Counterparties, Notes Creditors, Pari Passu Creditors), shall provide on the date of the transfer an indemnity to each Credit Facility Lender and each other finance party under such Credit Facility Document, Hedge Counterparty, Notes Creditor or Pari Passu Creditor (each, an "Indemnified Party") for any actual or alleged obligation to repay or claw back any amount received by such Indemnified Party (e) the relevant transfer shall be without recourse to, or warranty from, any Primary Creditor, save that each such Primary Creditor will be deemed to have given the following representations and warranties on the date of the transfer:

- (a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third party interests (other than any arising under the Credit Facility Documents or by operation of law), of all rights and interests under the Credit Facility Documents purporting to be transferred by it by that transfer;
- (b) in the case of a Hedge Counterparty, it is the sole owner, free from all Security and third party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;
- (c) in the case of a Notes Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the Senior Secured Notes Documents or by operation of law), of all rights and interests under the Senior Secured Notes Documents purporting to be transferred by it by that transfer;
- (d) in the case of a Pari Passu Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the relevant Pari Passu Debt Documents or by operation of law), of all rights and interests under the relevant Pari Passu Debt Documents purporting to be transferred by it by that transfer;
- (e) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer; and
- (f) it is satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they or any Agent are required by law to carry out in relation to such a transfer.

Option to Purchase: Senior Debt Creditors

The Senior Debt Creditors (the "Purchasing Senior Debt Creditors") may, after a Distress Event or for so long as either a (i) a Senior Debt Payment Stop Notice or (ii) a Senior Debt Standstill

Period is outstanding, by giving not less than ten days' notice to the Credit Facility Agent, the Hedge Counterparties, the Notes Trustee, the Pari Passu Debt Representative and the Second Lien Debt Representative (together, the "Relevant Agents"), require the transfer to them (or to a nominee or nominees) of all (but not part only) of the rights, benefits and obligations in respect of the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Creditors under the Pari Passu Debt Documents and the Second Lien Creditors under the Second Lien Debt Documents (the "Senior Secured Acquisition Debt"). If more than one Purchasing Senior Debt Creditor wishes to exercise the option to purchase the Senior Secured Acquisition Debt, each such Purchasing Senior Debt Creditor shall acquire the Senior Secured Acquisition Debt *pro rata*, in the proportion that its principal amount outstanding under the Senior Debt and its principal amount outstanding under the Senior Debt Documents ("Senior Debt Credit Participations") bears to the aggregate Senior Debt Credit Participations of all the Purchasing Senior Debt Creditors.

Option to Purchase: Senior Debt Creditors—Terms

Any such purchase will be on terms which will include, without limitation, (a) lawful transfer (b) payment in full in cash of an amount equal to Credit Facility Lender Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Liabilities, the Second Lien Liabilities and relevant hedging purchase amount (as determined in accordance with the Intercreditor Agreement) then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the creditors in respect of the relevant Secured Liabilities; (c) after the transfer, no Credit Facility Lender, Hedge Counterparty, Notes Creditor, Pari Passu Creditor or Second Lien Creditor will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document, any Hedging Agreement, any Notes Document, any Pari Passu Debt Document or any Second Lien Debt Document for which it is not holding cash collateral in an amount and on terms satisfactory to it; (d) the Purchasing Senior Debt Creditors, other than the Senior Debt Representative (or if required by the Credit Facility Lenders, Hedge Counterparties, Noteholders, Pari Passu Creditors or Second Lien Creditors, a third-party acceptable to the Credit Facility Lenders, Hedge Counterparties, Notes Creditors, Pari Passu Creditors or Second Lien Creditors), shall provide on the date of the transfer an indemnity to each Credit Facility Lender and each other finance party under such Credit Facility Document, Hedge Counterparty, Notes Creditor, Pari Passu Creditor or Second Lien Creditor (each, an "Indemnified Party") for any actual or alleged obligation to repay or claw back any amount received by such Indemnified Party (e) the relevant transfer shall be without recourse to, or warranty from, any Primary Creditor, save that each such Primary Creditor will be deemed to have given the following representations and warranties on the date of the transfer:

- (a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third party interests (other than any arising under the Credit Facility Documents or by operation of law), of all rights and interests under the Credit Facility Documents purporting to be transferred by it by that transfer;
- (b) in the case of a Hedge Counterparty, it is the sole owner, free from all Security and third party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;
- (c) in the case of a Notes Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the Senior Secured Notes Documents or by operation of law), of all rights and interests under the Senior Secured Notes Documents purporting to be transferred by it by that transfer;
- (d) in the case of a Pari Passu Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the relevant Pari Passu Debt Documents or by

operation of law), of all rights and interests under the relevant Pari Passu Debt Documents purporting to be transferred by it by that transfer;

- (e) in the case of a Second Lien Creditor, it is the sole owner, free from all Security and third party interests (other than any arising under the relevant Second Lien Debt Documents or by operation of law), of all rights and interests under the relevant Second Lien Debt Documents purporting to be transferred by it by that transfer;
- (f) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer; and
- (g) it is satisfied with the results of any “know your client” or other similar checks relating to the identity of any person that they or any Representative are required by law to carry out in relation to such a transfer.

Guarantee Limitations

The obligations of each Debtor and Intra-Group Lender under the Intercreditor Agreement will be appropriately limited by reference to any corresponding limitations in the Debt Documents (as applicable) or at law.

Other terms

To the extent there is no restriction under the sections headed “Permitted Payments – Second Lien” and “Permitted Payments – Senior Debt Guarantee Liabilities,” any reference in the Intercreditor Agreement to a Debtor or member of the Group being able to make any payment or take any other action shall include a reference to that Debtor or member of the Group being permitted to make any arrangement in respect of that payment or action or take any step or enter into any transaction to facilitate the making of that payment or the taking of that action.

Notwithstanding anything to the contrary in the Intercreditor Agreement, nothing in the Intercreditor Agreement shall prohibit a non-cash contribution of any asset (including, without limitation, any participation, claim, commitment, rights, benefits and/or obligations in respect of any liabilities and/or any other indebtedness borrowed or issued by any member of the Group from time to time) to the Parent Guarantor.

The right or requirement of any party to the Intercreditor Agreement to take or not take any action on or following the occurrence of an insolvency event in relation to a Debtor shall cease to apply if the relevant Event of Default in respect of that insolvency event in relation to a Debtor is no longer continuing (under a Secured Debt Acceleration Event or an acceleration event in respect of the Senior Debt has occurred and is continuing and without prejudice to any action taken or not taken in accordance with the terms of the Intercreditor Agreement while that Event of Default in respect of that insolvency event in relation to a Debtor is continuing).

Nothing in the Intercreditor Agreement shall prohibit any debt exchange, non cash rollover or other similar or equivalent transaction in relation to any Liabilities.

If there is any conflict between the terms of the Intercreditor Agreement and any other Debt Document, the terms of the Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any member of the Group contravening any applicable law or regulation, or present a material risk of liability for any member of the Group’s directors or officers, or give rise to a material risk of breach of their fiduciary or statutory duties).

No provision of the Intercreditor Agreement shall (a) restrict or prohibit any holding company of the Group from incurring any indebtedness, granting any Security over its assets directly owned by it (save in respect of any Transaction Security or Shared Security) or providing any guarantees or any other Security which is not over any assets of the Group (or is Transaction Security or Shared Security)), or (b) require any creditor in respect of indebtedness to any

holding company of the Group to become a party to (or be bound by) the provisions of this Agreement other than where such creditor is a Secured Party (in such capacity).

Governing Law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

Second Lien Notes

Further to the Second Lien Commitment Letter, the Issuer will issue the Second Lien Notes on or about the Issue Date. The Second Lien Notes will be subject to an indenture governed by the laws of the State of New York and will be sold pursuant to a private placement exempt from registration under the US Securities Act. The Second Lien Notes will mature on 15 August 2023.

Interest on the Second Lien Notes will be payable quarterly in arrears in cash at a floating rate equal to three-month LIBOR (subject to a 1.00% floor), plus 8.00% per annum.

The Second Lien Notes will not be redeemable upon the election of the Issuer prior to the second anniversary of the Issue Date, except by payment of a make-whole premium. Thereafter, the redemption price applicable to the Second Lien Notes will be 103% in the twelve months following the second anniversary of the Issue Date, 102% in the twelve months following the third anniversary of the Issue Date and 100% thereafter.

The Second Lien Notes will be senior subordinated obligations of the Issuer, ranking: *pari passu* in right of payment with all existing and future senior subordinated indebtedness of the Issuer; subordinated in right of payment to all existing and future senior indebtedness, including the Notes and the New Revolving Credit Facility; effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by property or assets that do not secure the Second Lien Notes or secure such Indebtedness on a senior basis, to the extent of the value of the property and assets securing such Indebtedness, including the Notes and the New Revolving Credit Facility; and senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Second Lien Notes.

The Second Lien Notes will be guaranteed by each of the Guarantors, with such guarantee being a senior subordinated obligation of that Guarantor, ranking: *pari passu* in right of payment with all existing and future senior subordinated indebtedness of such Guarantor; senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to such guarantee of the Second Lien Notes; subordinated in right of payment to all senior indebtedness of such Guarantor, including the Guarantees and the guarantees of the New Revolving Credit Facility; effectively subordinated to any existing and future indebtedness of such Guarantor that is secured by property or assets that do not secure such Second Lien Notes Guarantee or secure such indebtedness on a senior basis, to the extent of the value of the property and assets securing such Indebtedness, including the Guarantees and the guarantees of the New Revolving Credit Facility; and senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such guarantee of the Second Lien Notes.

The Second Lien Notes will benefit from second-ranking liens over the same collateral that secures the Notes.

The restrictive covenants in respect of the Second Lien Notes will be substantially the same as those contained in the indenture governing the Notes, except that the Second Lien Notes will also contain a covenant prohibiting the layering of indebtedness that is contractually senior to the Second Lien Notes but contractually junior to the Notes.

Description of the Notes

IDH Finance plc (the “Issuer”) will issue £275.0 million in aggregate principal amount of its 6¼% Senior Secured Notes due 2022 (the “Fixed Rate Notes”) and £150.0 million in aggregate principal amount of its Senior Secured Floating Rate Notes due 2022 (the “Floating Rate Notes” and together with the Fixed Rate Notes, the “Senior Secured Notes”) under an indenture (the “Indenture”) between, among others, the Issuer, Turnstone MidCo 2 Limited (the “Company”) and U.S. Bank Trustees Limited, as trustee (the “Trustee”), and as security agent, in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”). Unless the context requires otherwise, references in this “Description of the Notes” to the Senior Secured Notes include the Fixed Rate Notes, the Floating Rate Notes and any Additional Senior Secured Notes (as defined below) that are issued under the Indenture, and references to Additional Fixed Rate Notes and Additional Floating Rate Notes shall be to Additional Senior Secured Notes that are Fixed Rate Notes or Floating Rate Notes, respectively. The terms of the Senior Secured Notes include those set forth in the Indenture. The Indenture will not incorporate or include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The proceeds of the Offering will be used by the Issuer, together with the proceeds from the issuance and sale of the Second Lien Notes, to (i) fund the Existing Notes Redemption; (ii) repay all amounts outstanding under the Existing Revolving Credit Facility Agreement; and (iii) pay the fees and expenses incurred in connection with the Refinancing, including fees and expenses incurred in connection with the Offering, as set forth in the offering memorandum under the caption “Use of proceeds.”

The following description is a summary of the material provisions of the Indenture and the Senior Secured Notes and refers to the Intercreditor Agreement. This does not restate those agreements in their entirety. We urge you to read the Indenture, the Senior Secured Notes and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior Secured Notes. Copies of the Indenture, the form of Senior Secured Note and the Intercreditor Agreement will be available as set forth below under “Where to find additional information.”

Certain defined terms used in this description but not defined below under “—Certain definitions” have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading “—Certain definitions.” In this description, the term “Issuer” refers only to IDH Finance plc and its successors and not to any of its Subsidiaries, and the “Company” refers to Turnstone MidCo 2 Limited and its successors and not to any of its Subsidiaries. The Issuer is a wholly-owned Restricted Subsidiary of the Company.

The registered holder (each, a “Holder”) of a Senior Secured Note will be treated as the owner of it for all purposes. Only Holders will have rights under the Indenture.

Brief description of the Notes and the Senior Secured Notes Guarantees

The Senior Secured Notes

The Senior Secured Notes:

- will be general obligations of the Issuer;
- will be secured by first-priority Liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations that are entitled to receive such proceeds on a super priority basis, including lenders under the New Revolving Credit Facility and counterparties to certain Hedging Obligations, have been paid in full;
- will rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Senior Secured Notes;

- will rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Senior Secured Notes, including the Second Lien Notes; and
- will be unconditionally guaranteed by the Guarantors.

The Senior Secured Notes Guarantees

The Senior Secured Notes will be guaranteed by the Guarantors. The Senior Secured Notes Guarantee of each Guarantor:

- will be a general obligation of that Guarantor;
- will be secured by first-priority Liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations that are entitled to receive such proceeds on a super priority basis, including lenders under the New Revolving Credit Facility and counterparties to certain Hedging Obligations, have been paid in full;
- will rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Senior Secured Notes Guarantees, including its obligations under the New Revolving Credit Facility; and
- will rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Senior Secured Notes Guarantees, including guarantees of the Second Lien Notes.

Not all of the Company's Subsidiaries will guarantee the Senior Secured Notes. In the event of a bankruptcy, liquidation or reorganisation of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the Holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company. The operations of the Company are conducted through its Subsidiaries and therefore the Company depends on the cash flow of its Subsidiaries to meet its obligations, including to fund, or to cause its Subsidiaries to fund, the Issuer with amounts to service its obligations under the Senior Secured Notes. The Senior Secured Notes and the Senior Secured Notes Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's non-guarantor Subsidiaries. Any right of the Company or any other Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganisation (and the consequent right of the Holders of the Senior Secured Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Company or such other Guarantor is itself recognised as a creditor of the non-guarantor Subsidiary, in which case the claims of the Company or such other Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Company or such other Guarantor. As of 31 March 2016, after giving effect to the Refinancing, on a consolidated basis, our Subsidiaries that will not guarantee the Senior Secured Notes would not have had any third-party financial debt outstanding.

As of the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under the caption "—Certain covenants—Designation of restricted and unrestricted subsidiaries," the Company will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries, if any, will not guarantee the Senior Secured Notes.

As at 31 March 2016, after giving effect to the Refinancing, the Company and its consolidated Subsidiaries would have had £555.0 million of third party financial Indebtedness (excluding

finance leases), £425.0 million of which is represented by the Senior Secured Notes and £130.0 million of which is represented by the Second Lien Notes. In addition, there would have been £100.0 million available for drawing under the New Revolving Credit Facility.

Principal, maturity and interest

The Issuer will issue £275.0 million in aggregate principal amount of Fixed Rate Notes and £150.0 million in aggregate principal amount of Floating Rate Notes in this Offering. The Issuer may issue additional Fixed Rate Notes (the "Additional Fixed Rate Notes") and additional Floating Rate Notes (the "Additional Floating Rate Notes" and, together with the Additional Fixed Rate Notes, the "Additional Senior Secured Notes") under the Indenture from time to time after this Offering. Any issuance of Additional Senior Secured Notes will be subject to all of the covenants in the Indenture, including the covenant described below under the caption "—Certain covenants—Incurrence of Indebtedness and issuance Preferred Stock." The Senior Secured Floating Rate Notes and the Fixed Rate Notes (together with any Additional Senior Secured Notes subsequently issued under the Indenture in the form of Floating Rate Notes or Fixed Rate Notes) will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. The Issuer will issue Senior Secured Notes in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Senior Secured Notes will mature on 15 August 2022.

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of 6¼% per annum. Interest on the Fixed Rate Notes will be payable semi-annually in arrears on 15 February and 15 August commencing on 15 February 2017. The Issuer will make each interest payment to the holders of record on the immediately preceding 14 February and 14 August.

Interest on the Fixed Rate Notes will accrue from the date of original issuance or, in respect of Additional Fixed Rate Notes, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. In no event will the rate of interest on the Fixed Rate Notes be higher than the maximum rate permitted by applicable law.

Floating Rate Notes

The Floating Rate Notes will bear interest at a rate per annum (the "Applicable Rate"), reset quarterly, equal to GBP LIBOR (subject to a 0.00% floor) plus 6%, as determined by an agent appointed by the Issuer to calculate GBP LIBOR for the purposes of the Indenture (the "Calculation Agent"), which shall initially be U.S. Bank Trustees Limited.

Interest on the Floating Rate Notes will be payable quarterly in arrears on 15 February, 15 May, 15 August and 15 November of each year, commencing on 15 November 2016. If a particular interest payment date is not a business day, then the payment date will move to the next business day. Therefore the Interest Period will be one or more days longer. The Issuer will pay interest to the holders of record on the 14 February, 14 May, 14 August and 14 November immediately preceding the applicable interest payment date, as the case may be. The Floating Rate Notes will bear interest from the Issue Date or, in respect of Additional Floating Rate Notes, if interest has already been paid, from the date it was most recently paid.

The Calculation Agent will, as soon as practicable after 11:00 a.m., London time, on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Floating Rate Notes in respect of the following Interest Period (the "Interest Amount"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of the Floating Rate Notes outstanding at the commencement of the

Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 365.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.487655)). All pounds sterling amounts used in or resulting from such calculations will be rounded to the nearest pounds sterling cent (with one-half pounds sterling cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of wilful default, bad faith or manifest error, be binding on all parties.

The Calculation Agent will, upon the written request of the holder of any Floating Rate Note, provide the interest rate then in effect with respect to the Floating Rate Notes. The rights of holders of beneficial interests in the Floating Rate Notes to receive the payments of interest on the Senior Secured Notes will be subject to applicable procedures of Euroclear and Clearstream, as applicable.

Interest will be computed on the basis of a 365-day year and the actual number of days elapsed. The Applicable Rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by applicable law.

Set forth below is a summary of certain of the defined terms used in the Indenture relating to the calculation of interest on the Floating Rate Notes:

“Determination Date,” with respect to an Interest Period, will be the day that is the first day of such Interest Period.

“GBP LIBOR,” with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in pounds sterling for a three-month period beginning on (and including) the Determination Date that appears on Reuters Page LIBOR01 as of 11:00 a.m. London time, on the Determination Date. If Reuters Page LIBOR01 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Calculation Agent to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date, to prime banks in the London interbank market for deposits in a Representative Amount in pounds sterling for a three-month period beginning on (and including) the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such rates quoted by major banks in London, selected by the Calculation Agent, at approximately 11:00 a.m., London time, on the Determination Date for loans in pounds sterling to leading European banks for a three-month period beginning on (and including) the Determination Date and in a Representative Amount.

“Interest Period” means the period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and exclude 15 November 2016.

“Representative Amount” means the greater of (a) £1.0 million and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

“Reuters Page LIBOR01” means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Senior Secured Proceeds Loans

The Issuer will loan the proceeds of the offering of Senior Secured Notes issued on the Issue Date to BidCo pursuant to one or more proceeds loans (the "Senior Secured Proceeds Loans") lent under one or more proceeds loan agreements (the "Senior Secured Proceeds Loan Agreements") to be dated as at the Issue Date.

The Senior Secured Proceeds Loans will be denominated in pounds sterling in a total aggregate principal amount equal to the collective aggregate principal amounts of the Fixed Rate Notes and the Floating Rate Notes issued on the Issue Date. The Senior Secured Proceeds Loan Agreements will provide that BidCo will pay the Issuer interest and principal in an amount sufficient to pay amounts due under the Senior Secured Notes, as well as any Additional Amounts due thereunder on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Senior Secured Notes and the Indenture. The Senior Secured Proceeds Loan Agreements will have the same maturity as the Senior Secured Notes.

The Senior Secured Proceeds Loans will be assigned by way of security to the Security Agent for the benefit of the Holders.

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more paying agents (each, a "Paying Agent") for the Senior Secured Notes in London. The initial Paying Agent will be Elavon Financial Services DAC, UK Branch, in London.

The Issuer will also maintain one or more registrars (each, a "Registrar"). The Issuer will also maintain a transfer agent in London. The initial Registrar will be Elavon Financial Services DAC. The initial transfer agent will be Elavon Financial Services DAC, UK Branch, in London. The Registrar and transfer agent, as applicable, will maintain a register reflecting ownership of the Senior Secured Notes in the form of definitive registered notes (the "Definitive Registered Notes") outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change the Paying Agent, the Registrars or the transfer agents without prior notice to the Holders. If and for so long as the Senior Secured Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or transfer agent.

Transfer and exchange

Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act ("Rule 144A") will initially be represented by one or more global Fixed Rate Notes in registered form and by one or more global Floating Rate Notes in registered form without interest coupons attached (the "144A Global Notes"), and Senior Secured Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act ("Regulation S") will initially be represented by one or more global Fixed Rate Notes in registered form without interest coupons attached and one or more global Floating Rate Notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes").

The Senior Secured Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "Transfer restrictions."

Ownership of interests in the Global Notes (the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarised

below and described more fully under "Transfer restrictions." In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in a 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Regulation S Global Note only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof, upon receipt by the relevant Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarised below and described more fully under "Transfer restrictions."

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Senior Secured Notes (whether or not in the form of Definitive Registered Notes) or any of the Guarantors with respect to any Senior Secured Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organised, or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "Tax Jurisdiction") will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Senior Secured Notes or any of the Guarantors under or with respect to any Senior Secured Notes Guarantee, including payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments after such withholding,

deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the existence of any actual or deemed present or former connection between the Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) of the Senior Secured Notes and the relevant Tax Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the relevant Taxing Jurisdiction), but excluding in each case, any connection arising solely from the holding of such Senior Secured Note, the enforcement of rights under such Senior Secured Note or under a Senior Secured Notes Guarantee or the receipt of any payments in respect of such Senior Secured Note or a Senior Secured Notes Guarantee

(2) any Taxes imposed as a result of the presentation of a Senior Secured Note for payment where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes;

(4) Taxes imposed on or with respect to a payment made to a Holder or beneficial owner of Senior Secured Notes who would have been able to avoid such withholding or deduction by presenting the relevant Senior Secured Note to another Paying Agent in a member state of the European Union;

(5) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Senior Secured Notes or with respect to any Senior Secured Notes Guarantee;

(6) any Taxes imposed or withheld by reason of the failure of the Holder or beneficial owner of Senior Secured Notes, to comply with any reasonable written request of the Issuer addressed to the Holder and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(7) any Tax imposed on or with respect to any payment by the Issuer or the relevant Guarantor to the Holder if such Holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such Holder been the sole beneficial owner of such Senior Secured Notes;

(8) any Taxes that are imposed or withheld pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") as of the Issue Date (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the

United States relating thereto or any agreements entered into pursuant to section 1471(b)(1) of the Code; or

(9) any combination of items (1) through (8) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Senior Secured Notes, the Indenture, any Senior Secured Notes Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or enforcement of, any of the Senior Secured Notes or any Senior Secured Notes Guarantee (other than on or in connection with a transfer of the Senior Secured Notes other than the initial resale of the Senior Secured Notes by the Initial Purchasers).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Senior Secured Notes or any Senior Secured Notes Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information necessary to enable the Paying Agent to pay such Additional Amounts on the relevant payment date. The Issuer and the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the Holders or beneficial owners of the Senior Secured Notes.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Senior Secured Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Senior Secured Notes or any Senior Secured Notes Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner of its Senior Secured Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, engaged in business or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Senior Secured Notes (or any Senior Secured Notes Guarantee) and any department or political subdivision thereof or therein.

Senior Secured Notes Guarantees

The Senior Secured Notes will be guaranteed by each Guarantor.

These Senior Secured Notes Guarantees will be joint and several obligations of the Guarantors. Each Senior Secured Notes Guarantee is a full and unconditional guarantee of the Issuer's obligations under the Senior Secured Notes, subject to the contractual limitations discussed below.

In addition, as described below under "—Certain Covenants—Additional guarantees" and subject to the Intercreditor Agreement and the Agreed Security Principles, certain Subsidiaries of the Company that in the future guarantee the New Revolving Credit Facility or certain other Indebtedness permitted under the Indenture shall also enter into a supplemental indenture to become a Guarantor of the Senior Secured Notes and accede to the Intercreditor Agreement.

The obligations of the Guarantors will be contractually limited under the applicable Senior Secured Notes Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "—Limitations under Guarantees and Liens on the Collateral."

The Senior Secured Notes Guarantee of a Guarantor other than the Company will be released:

- (1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset sales" provisions of the Indenture;
- (2) in connection with any sale or other disposition of Capital Stock of that Guarantor (or Capital Stock of any direct or indirect parent company of such Guarantor (other than the Company)) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset sales" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- (3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (4)(i) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness and (ii) as otherwise permitted in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement as described under "Description of other indebtedness—Intercreditor Agreement";
- (5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal defeasance and covenant defeasance" and "—Satisfaction and discharge";
- (6) upon the full and final payment of the Senior Secured Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Senior Secured Notes;
- (7) as described under the caption "—Amendment, supplement and waiver";
- (8) as described in the first paragraph of the covenant described below under "—Certain covenants—Additional guarantees"; or

(9) as a result of a transaction permitted under “—Certain covenants—Merger, consolidation or sale of assets.”

In addition, the Senior Secured Notes Guarantee of the Company will be released in the circumstances described in clauses (4), (5), (6), (7) or (9) above. Upon any occurrence giving rise to a release of a Senior Secured Notes Guarantee, as specified above, the Trustee, subject to receipt of certain documents from the Issuer and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Senior Secured Notes Guarantee. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Senior Secured Notes to reflect any such release, discharge or termination.

Security

General

The Senior Secured Notes and the Senior Secured Notes Guarantees will be secured by first-ranking Liens over the Collateral. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the secured obligations that are secured by the Collateral, including the Trustee and the Holders of the Senior Secured Notes.

The Collateral will be subject to security interests, including an English law governed debenture (the “Debenture”) and a Scots law governed bond and floating charge and share pledge.

Any additional security interests that may in the future be pledged to secure obligations under the Senior Secured Notes, the Senior Secured Notes Guarantees and the Indenture would also constitute Collateral.

The Second Lien Notes will be secured by second-ranking liens over the Collateral. See “Description of other indebtedness—Second Lien Notes.”

Security Documents

The Issuer and each of the Guarantors will enter into the Debenture and the other security documents with the Security Agent granting first-priority fixed and floating charges over substantially all of the property and assets of the Issuer and the Guarantors.

Subject to the terms of, and limitations under, the Security Documents, these security interests will secure the payment and performance when due of the obligations of the Issuer and the Guarantors under the Senior Secured Notes, the Indenture and the Senior Secured Notes Guarantees.

Subject to the terms of the Indenture, the Second Lien Notes Indenture, the New Revolving Credit Facility, the Intercreditor Agreement and the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Release

Subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, upon receipt of an Officer’s Certificate, the Security Agent shall release, and the Trustee shall, if so requested, direct the Security Agent to release, without the need for consent of the Holders,

Liens over the property and other assets constituting Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees:

- (1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets (i) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset sales" provisions of the Indenture or (ii) if such assets become subject to an equivalent Lien in favor of the Security Agent for the benefit of the Holders of the Senior Secured Notes concurrent with such sale, assignment, transfer, conveyance or other disposition; *provided* that such sale, assignment, transfer, conveyance or other disposition of such property or assets is permitted by the Indenture;
- (2) in the case of a Guarantor that is released from its Senior Secured Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) if the Company designates any of its Restricted Subsidiaries (other than the Issuer) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Restricted Subsidiary;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal defeasance and covenant defeasance" and "—Satisfaction and discharge";
- (5) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement as described under "Description of other indebtedness—Intercreditor Agreement";
- (6) upon the full and final payment of the Senior Secured Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Senior Secured Notes;
- (7) as described under the caption "—Amendment, supplement and waiver";
- (8) as described under the caption "—Certain covenants—Impairment of security interest";
- (9) upon the contribution of any claim of a Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any Restricted Subsidiary; or
- (10) as otherwise permitted in accordance with the Indenture and the Intercreditor Agreement.

Limitations under Guarantees and Liens on the Collateral

The obligations of each Guarantor under its Guarantee and the Liens it has granted on the Collateral to secure its Senior Secured Guarantee and the Senior Secured Notes, if any, will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor without resulting in its obligations under its Guarantee and the respective Liens on the Collateral, if any, being voidable or unenforceable under applicable laws relating to fraudulent transfer or under similar laws affecting the rights of creditors generally, or the maximum amount otherwise permitted by law. In particular, each Senior Secured Notes Guarantee and each Lien on the Collateral will be limited as required to comply with corporate benefit, maintenance of capital and other laws. By virtue of these limitations, a Guarantor's obligations under its Senior Secured Notes Guarantee and the respective Liens on the Collateral, if any, could be significantly less than amounts payable in respect of the Senior Secured Notes, or a Guarantor may have effectively no obligations under its Senior Secured Notes Guarantee or its Liens granted on the Collateral. See "Risk factors—Risks related to our indebtedness and the Notes—English and Scottish insolvency laws may not be as favorable to you as US and other

insolvency laws, and insolvency laws and limitations on the Guarantees or the security interests in respect of the Notes may adversely affect the validity and enforceability of the Guarantees and the security interests and may limit the amount that can be recovered under the Guarantees and security interests granted by the Parent Guarantor and its subsidiaries.”

Intercreditor Agreement

To establish the relative rights of certain creditors of the Company, the Guarantors and the Issuer under the financing arrangements, including, without limitation, the Senior Secured Notes, the New Revolving Credit Facility, the Second Lien Notes and certain Hedging Obligations, the Company, the Guarantors and the Issuer, the agent under the New Revolving Credit Facility, the Trustee, the trustee in respect of the Second Lien Notes and the Security Agent will enter into the Intercreditor Agreement. See “Description of other indebtedness—Intercreditor Agreement.” Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility and certain Hedging Obligations that are permitted to be incurred by clause (8) of the definition of Permitted Debt and permitted to be secured on the Collateral (see “—Certain definitions—Permitted Collateral Liens”) will receive priority with respect to any proceeds received upon any enforcement over any Collateral. Any proceeds received upon any enforcement over any Collateral, after all obligations under the New Revolving Credit Facility have been repaid and such Hedging Obligations have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture and the Senior Secured Notes and any other Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral on a pari passu basis pursuant to the Indenture and the Intercreditor Agreement.

Optional redemption

Fixed Rate Notes

At any time prior to 15 August 2018, the Issuer may on any one or more occasions redeem all or a part of the Fixed Rate Notes upon not less than 10 nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption.

At any time prior to 15 August 2018, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Fixed Rate Notes issued under the Indenture, upon not less than 10 nor more than 60 days’ notice, at a redemption price equal to 106.25% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, with the net cash proceeds of one or more Equity Offerings the proceeds of which are contributed to the Company (other than in the form of an Excluded Contribution or Parent Debt Contribution) in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Company or as Subordinated Shareholder Debt of the Company, *provided that*:

- (1) at least 60% of the aggregate principal amount of the Fixed Rate Notes originally issued under the Indenture (excluding Fixed Rate Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

On or after 15 August 2018, the Issuer may on any one or more occasions redeem all or a part of Fixed Rate Notes upon not less than 10 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Fixed Rate Notes redeemed, to the applicable

date of redemption, if redeemed during the twelve-month period beginning on 15 August of the years indicated below:

Date	Redemption Price
2018	103.125%
2019	101.563%
2020	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption on the applicable redemption date.

We may repurchase the Fixed Rate Notes at any time and from time to time in the open market or otherwise.

Floating Rate Notes

At any time prior to 15 August 2017, the Issuer may on any one or more occasions redeem all or a part of the Floating Rate Notes upon not less than 10 nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraph and except pursuant to “—Redemption for changes in taxes,” the Floating Rate Notes will not be redeemable at the Issuer’s option prior to 15 August 2017.

On or after 15 August 2017 the Issuer may on any one or more occasions redeem all or a part of the Floating Rate Notes upon not less than 10 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Floating Rate Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on 15 August of the years indicated below:

Date	Redemption Price
2017	101.000%
2018	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

We may repurchase the Floating Rate Notes at any time and from time to time in the open market or otherwise.

Redemption for changes in taxes

The Issuer may redeem the Senior Secured Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days’ prior notice to the Holders of the Senior Secured Notes (which notice will be irrevocable and given in accordance with the procedures described in “—Selection and notice”), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a “Tax Redemption Date”) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if on the next date on which any amount would be payable in respect

of the Senior Secured Notes, the Issuer or any Guarantor (each, a "Payor") is or would be required to pay Additional Amounts (but, in the case of a Payor that is a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and the Payor cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

- (1) any amendment to, or change in, the laws or treaties or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date) (each of the foregoing clauses (1) and (2), a "Change in Tax Law").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment or withholding if a payment in respect of the Senior Secured Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that obligation to pay such Additional Amounts cannot be avoided by the Payor taking reasonable measures available to it (including, in the case of a Payor that is a Guarantor, that the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts); and (b) a written opinion of independent tax counsel to the Issuer of recognised standing qualified under the laws of the relevant Tax Jurisdiction and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to the laws and official positions of any jurisdiction in which any successor to a Payor is organised or otherwise considered to be a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Sinking fund

The Issuer is not required to make sinking fund payments with respect to the Senior Secured Notes.

Repurchase at the option of Holders

Change of control

If a Change of Control occurs, each Holder of Senior Secured Notes will have the right to require the Issuer to repurchase all or any part (equal to £100,000 or in integral multiples of £1,000 in excess thereof) of that Holder's Senior Secured Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will

offer a payment in cash equal to 101% of the aggregate principal amount of Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Secured Notes repurchased to the date of purchase (the "Change of Control Payment"), subject to the rights of Holders of Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each Holder, with a copy to the Trustee, of the Senior Secured Notes at such Holder's registered address or otherwise deliver a notice in accordance with the procedures described under "—Selection and notice," stating that a Change of Control Offer is being made and offering to repurchase Senior Secured Notes on the date (the "Change of Control Payment Date") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act") and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Senior Secured Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior Secured Notes or portions of Senior Secured Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes or portions of Senior Secured Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Senior Secured Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of Senior Secured Notes being purchased by the Issuer.

The Paying Agent will promptly mail (or cause to be delivered) to each Holder of Senior Secured Notes properly tendered the Change of Control Payment for such Senior Secured Notes, and the Trustee (or an authentication agent approved by it, upon receipt of an authentication order from the Issuer,) will promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new Senior Secured Note equal in principal amount to any unpurchased portion of the Senior Secured Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders of the Senior Secured Notes to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalisation or similar transaction.

The ability of the Issuer to repurchase Senior Secured Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would constitute a mandatory prepayment event under the New Revolving Credit Facility. In addition, certain events that may constitute a change of control under the New Revolving Credit Facility may not constitute a Change of Control under the Indenture. The occurrence of events constituting a Change of Control would also trigger the requirement that the Issuer offer to purchase the Second Lien Notes. The future Indebtedness of the Company and its Subsidiaries may also contain prohibitions of certain events that would

constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of the Senior Secured Notes of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the Holders of the Senior Secured Notes, and any other Indebtedness then becoming payable, upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See “Risk factors—Risks related to our indebtedness and the Notes—We may not be able to purchase the Notes upon a change of control.”

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption “—Optional redemption,” unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Senior Secured Notes to require the Issuer to repurchase its Senior Secured Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain. In addition, the definitions of “Change of Control” and “Permitted Holders” expressly permit a third party to obtain control of the Company in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the consent of the Holders of a majority in principal amount of the Senior Secured Notes prior to the occurrence of the Change of Control.

If and for so long as the Senior Secured Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

Asset sales

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

- (1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (determined at the time of contracting such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as recorded on the balance sheet of the Company or any Restricted Subsidiary or the notes thereto (or, if incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) other than Subordinated Indebtedness, that are assumed by the transferee of any such assets and as a result of which the Company and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant;

(d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale;

(e) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary which is cancelled or extinguished;

(f) any Designated Non-Cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (f) that is at that time outstanding, not to exceed the greater of £20.0 million or 23% of the Company's Consolidated EBITDA, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and

(g) Replacement Assets.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Company or Restricted Subsidiary):

(1) to repay, repurchase, prepay or redeem (a) Indebtedness of the Issuer, the Company or any other Guarantor incurred pursuant to clause (1) of the second paragraph of the covenant entitled "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock" that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Senior Secured Notes or any Senior Secured Notes Guarantee, or any Indebtedness secured on the Collateral on a "super priority" basis, (b) Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor or the Issuer (other than Indebtedness that is owed to the Company or a Restricted Subsidiary), (c) obligations under the Senior Secured Notes and any pari passu Indebtedness that is secured by a Lien on the Collateral that ranks equal to the Lien on the Collateral securing the Senior Secured Notes and that is not subordinated in right of payment to the Senior Secured Notes or any Senior Secured Notes Guarantee pursuant to an Asset Sale Offer (as defined below) and (d) Indebtedness that is not subordinated in right of payment to the Senior Secured Notes or any Senior Secured Notes Guarantee that is secured on assets which do not constitute Collateral; *provided that*, for purposes of this clause (1)(d), only Net Proceeds from the sale of assets which do not constitute Collateral and which secure the Indebtedness to be repaid, repurchased, prepaid or redeemed may be applied;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(3) to make a capital expenditure;

(4) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;

(5) enter into a commitment approved by the Board of Directors or otherwise binding on the Company to apply the Net Proceeds pursuant to clauses (1), (2), (3), (4), (6) or (7) of this paragraph; *provided* that such commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period;

(6) invest in any Replacement Assets; or

(7) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds £12.5 million, within ten Business Days thereof, or at any earlier time at the Company's election, the Issuer will make an offer (an "Asset Sale Offer") to all Holders of Senior Secured Notes and may, to the extent the Company so elects, make an offer to Holders of other Indebtedness that is *pari passu* with the Senior Secured Notes or any Senior Secured Notes Guarantees to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of Senior Secured Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Senior Secured Notes in any Asset Sale Offer will be equal to (solely in the case of the Senior Secured Notes) 100% of the principal amount and (solely in the case of any other *pari passu* Indebtedness) no greater than 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of Holders of Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Senior Secured Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, or if the aggregate principal amount of Senior Secured Notes tendered pursuant to an Asset Sale Offer that is an application of Net Proceeds pursuant to clause (1) of the second paragraph of this covenant exceeds the amount of the Net Proceeds so applied the Trustee or the Registrar, as applicable will select the Senior Secured Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or in the manner described under "—Selection and notice"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. Neither the Trustee nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are

applicable in connection with each repurchase of Senior Secured Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control or Asset Sale provisions of the Indenture by virtue of such compliance.

Selection and notice

If less than all of the Senior Secured Notes are to be redeemed at any time, in the case of Notes issued in certificated form the Trustee (or the Registrar, as applicable) will select Senior Secured Notes for redemption on a pro rata basis or based on a method that most nearly approximates a pro rata selection as the Issuer deems fair and appropriate and thereby instructs the Trustee and/or Registrar or, in the case of Senior Secured Notes issued in global form as discussed under "Book-entry, delivery and form," based on a method that most nearly approximates a pro rata selection in accordance with the procedures of the relevant clearing system, in each case, unless otherwise required by law or applicable stock exchange. Neither the Trustee nor the Registrar shall be liable for any selections made in accordance with this paragraph.

No Senior Secured Notes of £100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each Holder of Senior Secured Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Secured Notes or a satisfaction and discharge of the Indenture.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note will state the portion of the principal amount of that Senior Secured Note that is to be redeemed. A new Senior Secured Note in principal amount equal to the unredeemed portion of the original Senior Secured Note will be issued in the name of the Holder of Senior Secured Notes upon cancellation of the original Senior Secured Note. Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

For Senior Secured Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear for communication to entitled account Holders in substitution for the aforesaid mailing. If and for so long as any Senior Secured Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any such notice to the Holders of the relevant Senior Secured Notes and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of Senior Secured Notes outstanding.

Any redemption of the Senior Secured Notes (including with the proceeds from an Equity Offering) may, in the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to the satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however*, that in any case such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for the Fixed Rate Notes or the Floating Rate Notes at a price no less than the open market trading price of the applicable Senior Secured Notes on the date such tender offer commences (as determined in good faith by

the Issuer), plus accrued and unpaid interest thereon to, but excluding the applicable tender settlement date, if Holders of Senior Secured Notes of not less than 90% in aggregate principal amount of the applicable outstanding Senior Secured Notes validly tendered and do not withdraw such Senior Secured Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Senior Secured Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the applicable Senior Secured Notes that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered to each other Holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Certain covenants

Restricted payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's Equity Interests or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries), except: (A) dividends or distributions payable in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Debt of the Company) or (B) dividends or distributions payable to the Company or a Restricted Subsidiary;
- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any Parent Holdco held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Equity Interests of the Company (other than Disqualified Stock));
- (3) make any principal payment on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Senior Secured Notes or to any Senior Secured Notes Guarantee (including without limitation, the Second Lien Notes) (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof, or (ii) the purchase, repurchase, redemption, defeasance or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement;
- (4) make any payment (except through capitalisation) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or
- (5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "Restricted Payments"), unless, at the time of any such Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur immediately thereafter as a consequence of such Restricted Payment;
- (b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described below under the caption “—Incurrence of Indebtedness and issuance of Preferred Stock”; and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (and not returned or rescinded) (including Restricted Payments permitted by clauses (1), (13), (19) and (20) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum, without duplication, of:
- (i) 50% of Consolidated Net Income of the Company for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);
 - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Equity Interests (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Debt subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (w) Subordinated Shareholder Debt or Capital Stock in each case sold to a Subsidiary of the Company, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (4) of the second succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions);
 - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness or Disqualified Stock that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Debt (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (w)

Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (4) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions; and

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Company or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Company or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (15) of the definition of "Permitted Investments"; and

(vi) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) including in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the Fair Market Value thereof.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Company (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution), *provided* that the amount of any such Net Cash Proceeds, or Fair Market Value of property or assets or marketable securities, from such sale or issuance of Equity Interests or Subordinated Shareholder Debt that are utilised for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Senior Secured Notes or to any Senior Secured Notes Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company, any Restricted Subsidiary or any Parent Holdco and loans, advances, dividends or distribution by the Company to any Parent Holdco to permit any Parent Holdco to repurchase, redeem or otherwise acquire or retire for value Equity Interests of the Company, any Parent Holdco or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Company, any Parent Holdco or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed £5 million plus £2.5 million for each calendar year elapsed after the Issue Date (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided further* that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Company, any Parent Holdco or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Company, any of its Restricted Subsidiaries or any Parent Holdco to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph and are not Excluded Contributions;

(5) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of dividends to Holders of any class or series of Disqualified Stock of the Company or any Preferred Stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption "—Incurrence of Indebtedness and issuance of Preferred Stock";

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Company or any Parent Holdco or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Company or any Parent Holdco (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Company or any Parent Holdco (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed £2.5 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the Holders of its Equity Interests (other than the Company or any Restricted Subsidiary) then entitled to participate in such dividends on a pro rata basis or otherwise in compliance with the terms of the instruments governing such Equity Interests;

(10) dividends, loans, advances or distributions to any Parent Holdco or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Holdco to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses incurred (i) in connection with the Refinancing or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (1), (4), (7) and (10) of the second paragraph under “—Transactions with affiliates”;

(11) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (11);

(12) so long as no Default or Event of Default has occurred and is continuing, the payment of Management Fees;

(13) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Holdco to pay, dividends on the common stock or common equity interests of the Company or any Parent Holdco following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Company or contributed as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalisation and (B) 7% of the IPO Market Capitalisation; *provided* that in the case of this clause (i) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.50 to 1.0; and (ii) the greater of (A) 5% of the Market Capitalisation and (B) 5% of the IPO Market Capitalisation; *provided* that in the case of this clause (ii) after giving pro forma effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.0;

(14) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed, since the Issue Date, the greater of £25.0 million and 29% of the Company's Consolidated EBITDA;

(15) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Net Available Cash to the extent permitted under “—Repurchase at the option of Holders—Asset sales,” but only if the Company shall have first complied with the terms described under “—Repurchase at the option of Holders—Asset sales” and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Company shall have first complied with the terms described under “—Repurchase at the option of Holders—Change of control” and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing,

repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness incurred (A) to provide all or any portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(17) (i) the declaration and payment of dividends to Holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Holdco or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to Holders of any class or series of Designated Preference Shares of such Parent Holdco or Affiliate issued after the Issue Date; *provided, however*, that (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preference Shares, after giving effect to such issuance (and the payment of dividends or distributions) on a pro forma basis, the Fixed Charge Coverage Ratio of the Company would have been at least 2.0 to 1.0 and (B) in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (17) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or Parent Debt Contribution or, in the case of Designated Preference Shares by a Parent Holdco or an Affiliate the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Debt to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;

(18) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(19) dividends or other distributions in amounts required for a direct or indirect parent of the Company to pay interest on Indebtedness the proceeds of which have been contributed as a Parent Debt Contribution to the Company or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company or any of its Restricted Subsidiaries incurred in accordance with the covenant described under “—Incurrence of Indebtedness and issuance of Preferred Stock”; and

(20) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 3.00 to 1.0 on a pro forma basis after giving effect to any such Restricted Payment.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

Incurrence of Indebtedness and issuance of Preferred Stock

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however:*

(1) that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Issuer and any other Restricted Subsidiary may incur Indebtedness (including Acquired Debt) and issue Preferred Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued, as the case may be, would have been at least 2.0 to 1.0, in each case, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or Preferred Stock had been issued, as the case may be, at the beginning of such four quarter period; and

(2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and any Restricted Subsidiary may incur such Senior Secured Indebtedness if the Consolidated Senior Secured Net Leverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred is less than 4.75 to 1.0 as at any date of incurrence prior to 31 December 2017 and less than 4.50 to 1.0 thereafter, in each case determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the Indebtedness had been incurred at the beginning of such four quarter period.

Restricted Subsidiaries that are not Guarantors may only incur Indebtedness pursuant to this paragraph if on a pro forma basis (including a pro forma application of the net proceeds therefrom), the aggregate amount of Indebtedness of Restricted Subsidiaries that are not Guarantors incurred pursuant to this paragraph would not exceed £12.5 million.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater of £115.0 million and 132% of the Company's Consolidated EBITDA, plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) Indebtedness outstanding on the Issue Date;

(3) the incurrence by the Company and the Guarantors of Indebtedness represented by the Second Lien Notes, guarantees of the Second Lien Notes, the Senior Secured Notes (other than Additional Senior Secured Notes), and the related Senior Secured Notes Guarantees (including any future Senior Secured Notes Guarantees);

(4) the incurrence by the Company or any Restricted Subsidiary of (A) Indebtedness representing Capital Lease Obligations, mortgage financings or purchase money obligations incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Company or any of its Restricted Subsidiaries, (B) Indebtedness otherwise incurred to

finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of, at any time outstanding, £20.0 million or 23% of the Company's Consolidated EBITDA;

(5) the incurrence by the Company or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) incurred under the first paragraph of this covenant or clause (2), (3), (5), (13) or (19) of this paragraph;

(6) the incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company or any Restricted Subsidiary; *provided that*:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured; and

(b)(i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Company or to any of its Restricted Subsidiaries of Preferred Stock; *provided that*:

(a) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Company or a Restricted Subsidiary; and

(b) any sale or other transfer of any such Preferred Stock to a Person that is not either the Company or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations not for speculative purposes (as determined in good faith by the Board of Directors or a member of senior management of the Company);

(9) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided that* if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Senior Secured Notes or a Senior Secured Notes Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary

course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness incurred in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business;

(12) Indebtedness represented by guarantees of any Management Advances;

(13) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or Indebtedness incurred in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided, however*, with respect to this clause (13), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (a) the Company would have been able to incur £1.00 of additional Indebtedness pursuant to Clause (1) of the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (13) calculated on a pro forma basis or (b) the Fixed Charge Coverage Ratio of the Company would not be less than it was immediately prior to giving effect to such acquisition or other transaction on a pro forma basis;

(14) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary;

(15) Indebtedness of the Company and its Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (B) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, entered into in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(16) guarantees by the Company or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Company, so long as the proceeds of the Indebtedness so guaranteed are used to purchase Equity Interests of the Company (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Company will be excluded from clause (c)(ii) of the first paragraph of the covenant described above under the caption “—Restricted payments” and will not be considered to be net cash proceeds

from an Equity Offering for purposes of the "Optional redemption" provisions of the Indenture;

(17) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), not to exceed the greater of £37.5 million and 43% of the Company's Consolidated EBITDA;

(18) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Company or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitisation Undertakings); and

(19) Indebtedness of the Issuer or any Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (19) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (13) of the third paragraph of the covenant described above under "—Restricted payments" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (19) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (4) and (13) of the third paragraph of the covenant described under "—Restricted payments" in reliance thereon.

Notwithstanding anything to the contrary contained herein, if the Indebtedness (or any part thereof) to be incurred pursuant to this covenant is intended to rank senior to the Senior Secured Notes or the Senior Secured Notes Guarantees with respect to proceeds distributions of any enforcement of any of the Collateral, such Indebtedness (or any part thereof) may only be incurred pursuant to: (i) clause (1) of the definition of Permitted Debt and, (ii) clause (8) of the definition of Permitted Debt (but only to the extent the Hedging Obligations are of the type referred to in clause (3) of the definition of Permitted Collateral Liens). For purposes of determining compliance with this "Incurrence of Indebtedness and issuance of Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (19) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided, however*, that the aggregate principal amount at any time outstanding of Indebtedness incurred pursuant to clause (1) of the definition of Permitted Debt that may be reclassified pursuant to this paragraph shall not exceed £100 million. The accrual of interest or Preferred Stock dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Preferred Stock or

Disqualified Stock in the form of additional shares of the same class of Preferred Stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with any sterling-denominated restriction on the incurrence of Indebtedness, the sterling equivalent principal amount of Indebtedness denominated in a different currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred in the case of term debt, or first committed or first incurred (whichever yields the lower sterling-equivalent), in the case of revolving debt; *provided, however*, that (i) if such Indebtedness denominated in non-sterling currency is subject to a Currency Exchange Protection Agreement with respect to sterling the amount of such Indebtedness expressed in sterling will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the sterling equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the sterling equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that such sterling equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

- (1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness;
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (4) the Fair Market Value of such assets at the date of determination; and
 - (5) the amount of the Indebtedness of the other Person; and
- (6) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, which will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

Liens

The Company will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired (such Lien, the "Initial Lien"), except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens or (b) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release.*"

Dividend and other payment restrictions affecting Restricted Subsidiaries

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any Restricted Subsidiary;
- (2) make loans or advances to the Company or any Restricted Subsidiary; or
- (3) sell, lease or transfer any of its properties or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) (a) any agreements as in effect on the Issue Date or (b) any other agreement or instrument with respect to the Company or any Restricted Subsidiary in effect or entered into on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements referred to in clauses (a) and (b) above; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or the Issue Date, as applicable (as determined in good faith by the Company) or would not, in the good faith determination of the Company, materially impair the ability of the Issuer to make payments on the Senior Secured Notes;
- (2) the Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the New Revolving Credit Facility, the Second Lien Notes Indenture, the Second Lien Notes, the guarantees of the Second Lien Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;
- (3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption “—Incurrence of Indebtedness and issuance of Preferred Stock” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favourable to the Holders of the Senior Secured Notes than is customary in comparable financings (as determined in good faith by the Company);
- (4) applicable law, rule, regulation or order or the terms of any license, authorisation, concession or permit;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property

or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined in good faith by the Company or would not in the good faith determination of the Company, materially impair the ability of the Issuer to make payments on the Senior Secured Notes;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any Qualified Receivables Financing; and

(14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or would not in the good faith determination of the Company, materially impair the ability of the Issuer to make payments on the Senior Secured Notes.

Merger, consolidation or sale of assets

Neither of the Company or the Issuer will: (1) consolidate or merge with or into another Person (whether or not it is the surviving corporation) or (2) in the case of the Company, sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in either case, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company or the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company or the Issuer, as the case may be) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organised or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Company or the Issuer, as the case may be, (if other than the Company or the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company or the Issuer, as the case may be, under the Senior Secured Notes, the Senior Secured Notes Guarantees, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which the Company or the Issuer, as applicable, is a party;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) In the case of the Company only, the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described above under the caption “—Incurrence of Indebtedness and issuance of Preferred Stock” or (ii) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

(5) The Company or the Issuer, as the case may be, delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer’s Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture, the Senior Secured Notes and the applicable Senior Secured Notes Guarantee constitute legal, valid and binding obligations of the Company or the Issuer, as the case may be, or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms.

A Guarantor (other than a Guarantor whose Senior Secured Notes Guarantee is to be released in accordance with the terms of the Senior Secured Notes Guarantee and the Indenture as described under “—Senior Secured Notes Guarantees”) will not, directly or indirectly:

(1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

(a) such Guarantor is the surviving Person; or

(b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Senior Secured Notes Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party;

(2) immediately after giving pro forma effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists; and

(3) the Company delivers to the Trustee an Officer’s Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental

indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Senior Secured Notes Guarantee constitute legal, valid and subsidiary obligations of the Guarantor or the Person formed by or surviving any such consolidation and merger (as applicable) enforceable in accordance with their terms.

In addition, none of the Issuer, the Company or any other Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

This “Merger, consolidation or sale of assets” covenant will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Issuer, a Guarantor or another Restricted Subsidiary (*provided, however*, that a Restricted Subsidiary that (i) is not a Guarantor, (ii) has incurred Indebtedness pursuant to and that is outstanding under clause (13) of the definition of Permitted Debt and (iii) has secured such Indebtedness pursuant to clause (2) of the definition of Permitted Liens may only consolidate or merge with or into another such Restricted Subsidiary), (b) any consolidation or merger among Guarantors and (c) any consolidation or merger among the Issuer and any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organised or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia and clauses (2) and (5) of the first paragraph of this covenant will be complied with. Clauses (3) and (4) of the first paragraph and clause (2) of the second paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction.

Transactions with affiliates

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an “Affiliate Transaction”) involving aggregate payments or consideration in excess of £2.5 million, unless:

(1) the Affiliate Transaction is on terms that are no less favourable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of £7.5 million, the Company delivers to the Trustee a resolution of the Board of Directors of the Company set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit or indemnification arrangements with any employee, consultant, officer or director of the Company or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans (and any issuance or awards or grants in cash, securities or otherwise in connection therewith), entered into in the ordinary course of business;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

- (3) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company and the granting of registration rights or entry into a stockholders' agreement with respect to the Company's Equity Interests;
- (6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Indenture described above under the caption "—Restricted payments";
- (7) Management Advances and waivers with respect thereto and the payment of Management Fees;
- (8) any Permitted Investments (other than Permitted Investments described in clause (3) of the definition thereof);
- (9) the incurrence of any Subordinated Shareholder Debt and any amendment, waiver or other transaction with respect thereto in compliance with the other provisions of the Indenture, the Intercreditor Agreement or Additional Intercreditor Agreement;
- (10) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous in any material respect to the Holders of the Senior Secured Notes than the original agreement as in effect on the Issue Date (as determined in good faith by the Board of Directors or a member of senior management of the Company) and transactions or agreements described in "Certain relationships and related party transactions";
- (11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;
- (12) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Company or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;
- (13) any transaction effected as part of a Qualified Receivables Financing;
- (14) any contribution to the capital of the Company in exchange for Capital Stock of the Company (other than Disqualified Stock and Preferred Stock);
- (15) any transactions which the Company or any of its Restricted Subsidiaries delivers to the Trustee a letter from an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series

of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(16) pledges of Equity Interests of Unrestricted Subsidiaries; and

(17) investments by Affiliates of the Company in Indebtedness or Disqualified Stock of the Company or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or Disqualified Stock, and transactions with Affiliates of the Company solely in their capacity as Holders of Indebtedness or Disqualified Stock of the Company or any of its Subsidiaries, so long as such transaction is with all Holders of such class (and there are such non-Affiliate Holders) and such Affiliates are treated no more favorably than all other Holders of such class generally.

Additional guarantees

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer or a Guarantor under any Credit Facilities unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the guarantee of the payment of the Senior Secured Notes by such Restricted Subsidiary, which guarantee will be senior to or pari passu with such Restricted Subsidiary's guarantee of such other Indebtedness.

Each additional Senior Secured Notes Guarantee will be limited as necessary to recognise certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing paragraphs in this covenant, the Company shall not be obliged to cause such Restricted Subsidiary to Guarantee the Senior Secured Notes to the extent that granting such Senior Secured Notes Guarantee by such Restricted Subsidiary would (i) be inconsistent with the Agreed Security Principles, or (ii) reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or the Restricted Subsidiary (including "whitewash" or similar procedures) or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Impairment of security interest

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders of the Senior Secured Notes, and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders of the Senior Secured Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents and the Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further, however*, that, subject to the foregoing clause (a) (except to the extent that such Collateral is to become subject to a Lien following such release or discharge),

no Security Document may be amended, extended, released, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, release, replacement, restatement, supplement, modification or renewal, the Company delivers to the Trustee one of the following: (1) a solvency opinion from an internationally recognised investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification or replacement; (2) a certificate from the board of directors or chief financial officer of the Company (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, release, renewal, restatement, replacement, supplement, modification or release or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, release, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Senior Secured Notes created under the Security Documents so amended, extended, released, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, release, renewal, restatement, supplement, modification or replacement.

At the direction of the Company and without the consent of the Holder of Senior Secured Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) (but subject to compliance with the first paragraph of this covenant) provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not adversely affect the rights of the Holders of the Senior Secured Notes in any material respect.

In the event that the Company complies with this covenant, the Trustee and the Security Agent will (subject to customary protections and indemnifications) consent to such amendment, extension, release, renewal, restatement, supplement, modification or replacement with no need for instructions from Holders of the Senior Secured Notes.

Additional or amended intercreditor agreement

The Indenture will provide that, at the request of the Company, at the time of, or prior to, the incurrence by the Company or any Restricted Subsidiary of Indebtedness permitted pursuant to the covenant described under “—Incurrence of Indebtedness and issuance of Preferred Stock,” the Company, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent will (without the consent of the Holders of the Senior Secured Notes) enter into an additional intercreditor agreement (each an “Additional Intercreditor Agreement”) on terms substantially similar to the Intercreditor Agreement (or not materially less favourable to the Holders of the Senior Secured Notes) or an amendment to or an amendment and restatement of the Intercreditor Agreement (which amendment is not materially less favorable to the Holders of the Senior Secured Notes); *provided* that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement; *provided further* that it is understood and agreed that an increase in the amount of Indebtedness being subjected to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the Holders and will be permitted by this covenant if, in each case, the incurrence of such Indebtedness (and any Lien in its favour), would not be otherwise prohibited by the Indenture.

The Indenture also will provide that, at the direction of the Company and without the consent of Holders of the Senior Secured Notes, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement and any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or any Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes), (3) add Restricted Subsidiaries or Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including any Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured Notes, (6) implement any Permitted Liens and Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders of the Senior Secured Notes in any material respect. The Company shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under “—Amendment, supplement and waiver”; *provided* that such amendments to the Intercreditor Agreement and any Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement.

The Indenture will also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption is not otherwise prohibited by the Indenture.

The Indenture will provide that each Holder of a Senior Secured Note, by accepting such Senior Secured Note, will be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement and Additional Intercreditor Agreement and any amendment referred to in the preceding paragraph and the Trustee or the Security Agent will not be required to seek the consent of any Holders of Senior Secured Notes to perform its obligations under and in accordance with this covenant.

Limitation on activities of the Issuer

The Issuer may not carry on any business or own any material assets other than:

- (1) the offering, sale, issuance and servicing, listing, purchase, redemption, exchange, refinancing or retirement of the Second Lien Notes (including any additional Second Lien Notes) or the Senior Secured Notes or the incurrence of other Indebtedness (and guarantees thereof) permitted by the terms of the Indenture or performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Indenture and the granting of Liens permitted pursuant to the covenant described above under the caption “—Liens”;
- (2) rights and obligations arising under the Indenture, any Credit Facility, the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Security Documents or any other agreement existing on the Issue Date to which it is a party;
- (3) undertaken with the purpose of, or directly related to, the fulfilling of any other obligations under any Indebtedness of the Issuer permitted by the Indenture;

- (4) the ownership of cash and Cash Equivalents;
- (5) making Investments in the Second Lien Notes (including any additional Second Lien Notes) the Senior Secured Notes or any other Indebtedness permitted by the terms of the Indenture;
- (6) directly related or reasonably incidental to the establishment and/or maintenance of its corporate existence; or
- (7) relating to the lending of proceeds of Indebtedness to the Company or any Restricted Subsidiary;
- (8) pursuant to or in connection with the Refinancing; or
- (9) other activities not specifically enumerated above that are *de minimis* in nature.

Except in accordance with the covenant described under the caption “—Merger, consolidation or sale of assets,” the Issuer will remain a wholly-owned Restricted Subsidiary of the Company.

Limitation on activities of the Company

The Company may not carry on any business or own any material assets other than:

- (1) the guarantee, offering, sale, issuance and servicing, listing, purchase, redemption, exchange, refinancing or retirement of the Second Lien Notes (including any additional Second Lien Notes) and the Senior Secured Notes, the incurrence of other Indebtedness (and guarantees thereof) permitted by the terms of the Indenture or performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Indenture and the granting of Liens permitted pursuant to the covenant described above under the caption “—Liens”;
- (2) rights and obligations arising under the Indenture, any Credit Facility, the Intercreditor Agreement (including any Additional Intercreditor Agreement) and the Security Documents or any other agreement existing on the Issue Date to which it is a party;
- (3) undertaken with the purpose of, or directly related to, the fulfilling of any other obligations under any Indebtedness of the Company permitted by the Indenture;
- (4) the ownership of (i) cash and Cash Equivalents, (ii) the shares and other equity instruments of the Issuer and BidCo or any direct or indirect parent company of BidCo and intercompany loans made to the Issuer and BidCo or any direct or indirect parent company of BidCo and (iii) other property, in each case to the extent contributed substantially concurrently to a Parent Holdco to the extent such contribution is not prohibited by the terms of the Indenture;
- (5) making Investments in the Second Lien Notes (including any additional Second Lien Notes), the Senior Secured Notes or any other Indebtedness to the extent such Investment is not prohibited by the terms of the Indenture;
- (6) involving the provision of administrative services (including treasury services and cash-pooling arrangements) to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the receipt of any amounts related thereto;
- (7) directly related or reasonably incidental to the establishment and/or maintenance of its and its subsidiaries’ corporate existence;
- (8) the making of any Restricted Payment (other than any Investment not otherwise permitted under this covenant) permitted by the terms of the Indenture;

(9) relating to the lending of proceeds of Indebtedness and Equity Offerings to Restricted Subsidiaries, whether as Subordinated Shareholder Funding or otherwise;

(10) conducting activities directly related, or reasonably incidental to, any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by an IPO Entity;

(11) any liabilities or obligations in connection with any employee or participation scheme, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of itself or any Restricted Subsidiary (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose;

(12) pursuant to or in connection with the Refinancing; or

(13) other activities not specifically enumerated above that are *de minimis* in nature.

Except in accordance with the covenant described under the caption “—Merger, consolidation or sale of assets,” the Company will directly own 100% of the Capital Stock of each of the Issuer and Turnstone BidCo 1 Limited.

Designation of restricted and unrestricted subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary other than the Issuer (or any successor to the Issuer) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—Restricted payments” or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Company’s Board of Directors giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the preceding conditions and was permitted by the covenant described above under the caption “—Restricted payments.” If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption “—Incurrence of Indebtedness and issuance of Preferred Stock,” the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “—Incurrence of Indebtedness and issuance of Preferred Stock,” calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Reports

For so long as any Senior Secured Notes are outstanding, the Company will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending 31 March 2017, annual reports containing the following information: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal year, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) pro forma income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause 2 or 3 below (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials)); (c) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "Management's discussion and analysis of financial condition and results of operations"; (d) a description of the business, management and shareholders of the Company, material affiliate transactions and material debt instruments; and (e) material risk factors and material recent developments; *provided* that the information described in clauses (d) and (e) may be provided in the footnotes to the audited consolidated financial statements;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the year to date period ending on the unaudited condensed balance sheet date, and the comparable prior year period for the Company, together with condensed footnote disclosure; (b) pro forma income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials); (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current year to date period and the corresponding period of the prior year; and (d) material recent developments; *provided* that the information described in clause (d) may be provided in the footnotes to the unaudited condensed consolidated financial statements; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer or Chief Financial Officer at the Company or change in auditors of the Company or any other material event that the Company announces publicly, a report containing a description of such event,

provided, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii)

include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Company.

In addition, if the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

All financial statements will be prepared in accordance with IFRS as in effect on the date of such financial statements; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Senior Secured Notes remain outstanding, the Company has agreed that it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Company will also post such report on the Company's website. The Company will also provide copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and for so long as the Senior Secured Notes are listed on the Official List of the Exchange, at the offices of the Listing Sponsor in Jersey.

Subject to compliance with the final paragraph of this covenant, in the event that the Company, any Parent or any IPO Entity becomes subject to the Admission and Disclosure Standards applicable to issuers of securities admitted to trading on the Main Market of the London Stock Exchange, for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the London Stock Exchange pursuant to such Admission and Disclosure Standards. Upon complying with the foregoing requirement, and *provided* that such requirements require the Company or any Parent Holdco or any IPO Entity, to prepare and file annual reports, information, documents and other reports with the London Stock Exchange, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

Subject to compliance to the final paragraph of this covenant, in the event that (i) the Company, any Parent Holdco or any IPO Entity becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

The Company may comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Parent of the Company so long as such reports (if an annual, half-yearly or quarterly report) include in footnote form, condensed consolidated financial information together with separate

columns for: (i) such Parent Holdco, (ii) the Company and the Restricted Subsidiaries; and (iii) any other Subsidiaries of the Parent on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the foregoing requirement, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

Suspension of certain covenants when Senior Secured Notes rated investment grade

If on any date following the Issue Date:

- (1) the Senior Secured Notes have achieved Investment Grade Status; and
- (2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (such period, the "Suspension Period"), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Senior Secured Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

- (1) "—Repurchase at the option of Holders—Asset sales";
- (2) "—Restricted payments";
- (3) "—Incurrence of Indebtedness and issuance of Preferred Stock";
- (4) "—Dividend and other payment restrictions affecting Restricted Subsidiaries";
- (5) "—Designation of restricted and unrestricted subsidiaries";
- (6) "—Transactions with affiliates";
- (7) "—Impairment of security interest";
- (8) clause (4) of the first paragraph of the covenant described under "—Merger, consolidation or sale of assets"; and
- (9) "—Limitation on activities of the Company."

Such covenants will not, however, be of any effect with regard to the actions of Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "—Restricted payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "—Incurrence of Indebtedness and issuance of Preferred Stock." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall notify the Trustee that the two conditions set forth in the first paragraph under this covenant have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

There can be no assurance that the Senior Secured Notes will ever achieve or maintain an Investment Grade Status.

Financial calculations for Limited Condition Acquisitions

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Company, be the date the definitive agreements for such Limited Condition Acquisition are entered into, and such baskets or ratios shall be calculated with such pro forma adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Fixed Charge Coverage Ratio after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated EBITDA of the Company or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided further* that if the Company elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default and remedies

Each of the following is an "Event of Default":

- (1) default for 30 days in the payment when due and payable of interest or Additional Amounts, if any, with respect to the Senior Secured Notes;
- (2) default in the payment when due and payable (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Senior Secured Notes;
- (3) failure by the Issuer or relevant Guarantor for 60 days after written notice (i) to the Issuer by the Trustee or (ii) to the Issuer and the Trustee by the Holders of at least 25% in aggregate principal amount of the Senior Secured Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1) or (2));
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries, other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:
 - (a) is caused by a failure to pay principal on such Indebtedness at final maturity prior to the expiration of the grace period provided in such Indebtedness on the date of such default, and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "Payment Default"); or
 - (b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates £20 million or more or (ii) such Indebtedness is incurred pursuant to clause (1) or (8) of the definition of "Permitted Debt" and is secured by Collateral that is granted the benefit of super senior priority rights on the proceeds of enforcement of the Collateral under the Intercreditor Agreement, and (A) the 30-day consultation period under the Intercreditor Agreement with respect to the enforcement of such Indebtedness has expired, (B) an Event of Default has occurred as a result of certain insolvency events, or (C) the consultation period under the Intercreditor Agreement does not apply because the Majority Super Senior Creditors or the Majority Senior Secured Creditors (as such terms are defined in the Intercreditor Agreement) have determined in good faith that to enter into consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Collateral or the realization of proceeds thereof and have instructed the Security Agent as to the enforcement of the Collateral;

(5) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of £20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(6) except as permitted by the Indenture (including with respect to any limitations), any Senior Secured Notes Guarantee of a Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor or Guarantors, denies or disaffirms its obligations under its Senior Secured Notes Guarantee;

(7) the security interests purported to be created under any Security Document (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a Fair Market Value in excess of £5 million will, at any time, cease to be in full force and effect and constitute a valid and perfected Lien with the priority required by the applicable Security Document and/or the Intercreditor Agreement or Additional Intercreditor Agreement for any reason other than the satisfaction in full of all obligations under the Indenture and discharge of the Indenture or in accordance with the terms of the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any security interest purported to be created under any Security Document is declared invalid or unenforceable or the Company or any Guarantor granting Collateral the subject of any such security interest asserts in writing that any such security interest is invalid or unenforceable and such failure to be in full force and effect or such assertion has continued uncured for a period of 15 days; and

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer, the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Guarantor that is a Significant Subsidiary or any group of

Guarantors that, taken together, would constitute a Significant Subsidiary, all outstanding Senior Secured Notes will become due and payable immediately without further action or notice or other act on the part of the Trustee or any Holders of Senior Secured Notes. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then-outstanding Senior Secured Notes by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) may and the Trustee, upon the written request of such Holders, shall declare all amounts in respect of the Senior Secured Notes to be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (4) under "Events of Default and remedies" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the Holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

Subject to certain limitations, Holders of a majority in aggregate principal amount of the then-outstanding Senior Secured Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Senior Secured Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders of Senior Secured Notes unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "—Amendment, supplement and waiver") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Holder of a Senior Secured Note may pursue any remedy with respect to the Indenture or the Senior Secured Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then-outstanding Senior Secured Notes have requested, in writing, that the Trustee pursue the remedy;
- (3) such Holders have offered the Trustee security and/or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) holders of a majority in aggregate principal amount of the then-outstanding Senior Secured Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The Holders of not less than a majority in aggregate principal amount of the Senior Secured Notes outstanding may, on behalf of the Holders of all outstanding Senior Secured Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal of premium, if any, any Additional Amounts or interest on any Senior

Secured Note held by a non-consenting Holder (which may only be waived with the consent of each Holder of Senior Secured Notes affected).

The Issuer will be required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Senior Secured Notes, the Indenture and the Senior Secured Notes Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Senior Secured Notes by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal defeasance and covenant defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Senior Secured Notes and all obligations of the Guarantors discharged with respect to their Senior Secured Notes Guarantees ("Legal Defeasance") except for:

- (1) the rights of Holders of outstanding Senior Secured Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Senior Secured Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Senior Secured Notes concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and
- (4) the "Legal defeasance and covenant defeasance" provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that will be described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Senior Secured Notes. In the event Covenant Defeasance occurs, all Events of Default described under "—Events of Default and remedies" (except those relating to payments on the Senior Secured Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Senior Secured Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Issuer must irrevocably deposit with the Trustee (or such entity designated by the Trustee for this purpose), in trust, for the benefit of the Holders of the Senior Secured Notes, cash in sterling, non-callable U.K. Government Securities or a combination of cash in sterling and non-callable U.K. Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognised investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Senior Secured Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must

specify whether the Senior Secured Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel, subject to customary assumptions and exclusions, confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the beneficial owners of the outstanding Senior Secured Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel, subject to customary assumptions and exclusions, confirming that the beneficial owners of the outstanding Senior Secured Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Senior Secured Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, supplement and waiver

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document may be waived with the consent of the Holders of a majority in aggregate principal amount of the then-outstanding Senior Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes).

If any amendment, supplement or waiver will only affect the Fixed Rate Notes or the Floating Rate Notes, only the Holders of a majority in aggregate principal amount of the then-outstanding Fixed Rate Notes or Floating Rate Notes (and not the consent of the Holders of the majority of all Senior Secured Notes), as the case may be, shall be required.

Unless consented to by the Holders of at least 90% of the aggregate principal amount of the outstanding Senior Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), without the consent of each Holder of Senior Secured Notes affected, an amendment,

supplement or waiver may not (with respect to any Senior Secured Notes held by a non-consenting Holder):

- (1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Senior Secured Note or alter the provisions with respect to the redemption of the Senior Secured Notes (other than provisions relating to the covenants described above under the caption “—Repurchase at the option of Holders”);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Secured Note;
- (4) impair the right of any Holder to institute suit for the enforcement of any payment of principal of and interest on, or Additional Amounts, if any, on such Holder’s Senior Secured Notes or the associated Senior Secured Notes Guarantees on or after the due dates therefor;
- (5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Senior Secured Notes (except a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of the then-outstanding Senior Secured Notes and a waiver of the Payment Default that resulted from such acceleration);
- (6) make any Senior Secured Note payable in money other than that stated in the Senior Secured Notes;
- (7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Senior Secured Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Senior Secured Notes;
- (8) waive a redemption payment with respect to any Senior Secured Note (other than a payment required by one of the covenants described above under the caption “—Repurchase at the option of Holders”);
- (9) release any Guarantor from any of its obligations under its Senior Secured Notes Guarantees or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (10) release the Liens on all or substantially all of the Collateral granted for the benefit of the Holders of Senior Secured Notes, except in accordance with the terms of the relevant Security Document, the Indenture and the Intercreditor Agreement; or
- (11) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any Holder of Senior Secured Notes, the Issuer, the Guarantors and the Trustee and the Security Agent (in the case of any Security Document) may amend or supplement the Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Senior Secured Notes in addition to or in place of certificated Senior Secured Notes;
- (3) to provide for the assumption of the Issuer’s or a Guarantor’s obligations to Holders of Senior Secured Notes and Senior Secured Notes Guarantees in the case of a merger or

consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the Holders of Senior Secured Notes or that does not adversely affect the legal rights under the Indenture of any such Holder in any material respect;

(5) to conform the text of the Indenture, the Senior Secured Notes Guarantees, the Senior Secured Notes or the Security Documents to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Senior Secured Notes Guarantees, the Senior Secured Notes or the Security Documents;

(6) to release any Senior Secured Notes Guarantees in accordance with the terms of the Indenture;

(7) to provide for the issuance of Additional Senior Secured Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Senior Secured Notes Guarantees with respect to the Senior Secured Notes;

(9) to enter into additional or supplemental Security Documents;

(10) to add additional parties to the Intercreditor Agreement or any Security Document to the extent permitted hereunder or thereunder; or

(11) to evidence and provide the acceptance of the appointment of a successor Trustee or the Security Agent under the Indenture or to evidence and provide the acceptance of the appointment of a Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document.

The consent of the Holders of Senior Secured Notes will not be necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee and the Security Agent, if applicable, shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate.

Satisfaction and discharge

The Indenture will be discharged and will cease to be of further effect as to all Senior Secured Notes issued thereunder, when:

(1) either:

(a) all Senior Secured Notes that have been authenticated and delivered, except lost, stolen or destroyed Senior Secured Notes that have been replaced or paid and Senior Secured Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture, have been delivered to the Trustee for cancellation; or

(b) all Senior Secured Notes that have not been delivered to the Paying Agent for cancellation have become due and payable by reason of the mailing of a notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose) as trust funds in trust

solely for the benefit of the Holders, cash in sterling, non-callable U.K. Government Securities or a combination of cash in sterling and non-callable U.K. Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Senior Secured Notes not delivered to the Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer and the Guarantors under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of independent counsel to the Trustee stating that all conditions precedent in the Indenture relating to satisfaction and discharge of the Indenture have been satisfied such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument governed by New York law to which the Issuer, any Guarantor or any Restricted Subsidiary of the Company is a party or by which the Issuer, any Guarantor or any Restricted Subsidiary of the Company is bound; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Judgment currency

Any payment on account of an amount that is payable in sterling which is made to or for the account of any Holder or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Senior Secured Notes or Senior Secured Notes Guarantees, as the case may be, only to the extent of the amount of sterling that such Holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of sterling that could be so purchased is less than the amount of sterling originally due to such Holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Senior Secured Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

The Issuer shall promptly deliver written notice to the Trustee after becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in other transactions with the Issuer or any Guarantor; however, if it has acknowledged that it has acquired any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The Holders of a majority in aggregate principal amount of the then-outstanding Senior Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The

Indenture will provide that in case an Event of Default occurs and is continuing of which a responsible officer of the Trustee is aware, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Senior Secured Notes, unless such Holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Senior Secured Notes on the Official List of the Exchange and for permission to be granted to deal in the Senior Secured Notes on the Official List of the Exchange. There can be no assurance that the application to list the Senior Secured Notes on the Official List of the Exchange will be approved or that permission to deal in the Senior Secured Notes thereon will be granted, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing or permission.

Additional information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of Senior Secured Note, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to the Issuer at the address of the Issuer (attention: Chief Financial Officer).

So long as the Senior Secured Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, copies of all of the Company's present and future annual audited consolidated financial statements and the Company's unaudited consolidated interim financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Listing Sponsor in Jersey.

Governing law

The Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement will be governed by English law.

Consent to jurisdiction and service of process

The Indenture will provide that the Issuer and each Guarantor, will appoint Corporation Service Company, as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of judgments

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, may not be collectable within the United States. See "Service of process and enforcement of civil liabilities."

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Certain definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalised terms used herein for which no definition is provided.

“Acquired Debt” means, with respect to any specified Person:

- (1) Indebtedness of any other (a) Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, or (b) assumed in connection with the acquisition of assets from such Person, in each case whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“Agreed Security Principles” means the Agreed Security Principles, as described in this Offering Memorandum, attached to the Indenture.

“Applicable Premium” means:

- (a) with respect to any Fixed Rate Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of the Fixed Rate Note; or

- (2) the excess of:

- (A) the present value at such redemption date of (i) the redemption price of the Fixed Rate Note at 15 August 2018 (such redemption price (expressed as a percentage of principal amount) being set forth in the table appearing above under the caption “—Optional redemption”), plus (ii) all required interest payments due on the Fixed Rate Note through 15 August 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over

- (B) the then-outstanding principal amount of the Fixed Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage.

- (b) with respect to any Floating Rate Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of such Floating Rate Note; or

(2) the excess of:

(A) the present value at such redemption date of (i) the redemption price of such Floating Rate Note at 15 August 2017 (such redemption price (expressed as a percentage of principal amount) being set forth in the table appearing above under the caption “—Optional redemption—Floating Rate Notes”), plus (ii) all required interest payments due on such Floating Rate Note through 15 August 2017 (excluding accrued but unpaid interest to such redemption date), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points and assuming that the rate of interest on such Floating Rate Notes from the redemption date through 15 August 2017 will equal the rate of interest on such Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(B) the then-outstanding principal amount of the Floating Rate Note.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Calculation Agent, the Registrar or any Paying Agent.

“Asset Sale” means:

- (1) the sale, lease (other than operating lease entered in the ordinary course of business), conveyance or other disposition of any assets by the Company or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—Repurchase at the option of Holders—Change of control” and/or the provisions described above under the caption “—Certain covenants—Merger, consolidation or sale of assets” and not by the provisions described under the caption “—Repurchase at the option of Holders—Asset sales”; and
- (2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Company or any of its Restricted Subsidiaries of Equity Interests in any Subsidiary of the Company (in each case, other than directors’ qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary; *provided, however*, that a disposition of assets constituting Collateral by a Restricted Subsidiary or the Company to a Restricted Subsidiary that (i) is not a Guarantor, (ii) has incurred Indebtedness pursuant to and that is outstanding under clause (13) of the definition of Permitted Debt and (iii) has secured such Indebtedness pursuant to clause (2) of the definition of Permitted Liens shall be deemed to be an Asset Sale unless such disposition is (x) to another such Restricted Subsidiary or (y) permitted under another exemption from the definition of Asset Sale;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

- (5) transactions permitted under “—Certain covenants—Merger, consolidation or sale of assets” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) of less than the greater of £7.5 million and 9% of the Company’s Consolidated EBITDA;
- (8) (a) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—Certain covenants—Restricted payments” and the making of any Permitted Payment or Permitted Investment; and (b) solely for purposes of the second and third paragraphs of the covenant described under “—Repurchases at the option of Holders—Asset sales,” asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make such Restricted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “—Certain covenants—Liens”;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favour of the Company or any Restricted Subsidiary;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted

Subsidiary to such Person; *provided, however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors of the Company, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed £7.5 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Redeemable Capital Stock that is permitted by the covenant described above under "Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock" or an issuance of Capital Stock by the Company pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "—Repurchase at the option of Holders—Asset sales" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitisations and other similar financings permitted by the Indenture.

"Asset Sale Offer" has the meaning assigned to that term in the Indenture governing the Senior Secured Notes.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns," "Beneficially Owned" and "Beneficial Ownership" have corresponding meanings.

"Board of Directors" means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

"Business Day" means a day other than a Saturday, Sunday or other day on which banking institutions in London or New York or a place of payment under the Indenture are authorised or required by law to close.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS as in effect on the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent

or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“Capital Stock” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Calculation Agent” means a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be Elavon Financial Services DAC, UK Branch.

“Cash Equivalents” means:

- (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union (other than Greece, Portugal or Spain), the United States of America or Switzerland (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union (other than Greece, Portugal or Spain) or the United States of America or Switzerland, as the case may be, and which are not callable or redeemable at the Company’s option;
- (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union (other than Greece, Portugal or Spain) or of the United States of America or any state thereof or Switzerland; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £250,000,000 (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “A-1” or higher by Moody’s or A+ or higher by S&P or the equivalent rating category of another internationally recognised rating agency;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the two highest ratings obtainable from Moody’s or S&P and, in each case, maturing within one year after the date of acquisition; and
- (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

“Change of Control” means the occurrence of any of the following:

- (1) the Company becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is

or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

“Change of Control Offer” has the meaning assigned to that term in the Indenture governing the Senior Secured Notes.

“Collateral” means the rights, property and assets securing the Senior Secured Notes and the Senior Secured Notes Guarantees as described in the section entitled “—Security” and any rights, property or assets over which a Lien has been granted to secure the Obligations of the Issuer and the Guarantors under the Senior Secured Notes, the Senior Secured Notes Guarantees and the Indenture.

“Consolidated EBITDA” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

- (1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; plus
- (2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; plus
- (3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Company and its Restricted Subsidiaries for such period) of the Company and its Restricted Subsidiaries for such period; plus
- (4) any fees, expenses, charges or other costs related to the issuance of any Capital Stock, any Investment, acquisition, disposition, recapitalization, listing or the incurrence or repayment of Indebtedness or Hedging Obligations permitted to be incurred under the Indenture (including refinancing thereof) whether or not successful, including (i) such fees, expenses, charges or other costs related to any incurrence of Indebtedness and (ii) any amendment or other modification of any incurrence; plus
- (5) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; plus
- (6) business optimization expenses and other restructuring charges, expenses, accruals or reserves (which shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), any costs associated with non-ordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; plus

(7) any costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; plus

(8) the amount of management, monitoring, consulting and advisory fees and related expenses paid to any Permitted Holder (or accruals relating to such fees and related expenses) to the extent permitted under the Indenture; plus

(9) the amount of loss on sale of receivables and related assets to a Receivables Subsidiary in connection with a Qualified Receivables Financing; plus

(10) all adjustments of the nature used in connection with the calculation of "estimated pro forma adjusted EBITDA" as set forth in footnote (2) of "Summary—Summary historical consolidated and pro forma combined consolidated financial information and other data—Other financial data" contained in the Offering Memorandum applied in good faith to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated;

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (16) of the definition of Consolidated Net Income), and other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"Consolidated Net Leverage Ratio" means, as of any date of determination, the Consolidated Senior Secured Net Leverage Ratio, calculated as though "Consolidated Senior Secured Net Leverage" were defined to include all Indebtedness other than Hedging Obligations.

"Consolidated Net Income" means, with respect to any specified Person for any period (subject to the proviso to the definition of Limited Condition Acquisition), the aggregate of the Net Profit of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis; *provided* that:

(1) the Net Profit for such period of any Person (other than a Guarantor) that is not a Subsidiary of such Person, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be included only to the extent of the amount of dividends or distributions or other payments paid in cash or Cash Equivalents (or to the extent converted into cash or Cash Equivalents) to the referent Person or a Restricted Subsidiary thereof in respect of such period;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "—Certain covenants—Restricted payments," any Net Profit of any Restricted Subsidiary (other than any Guarantor) shall be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Senior Secured Notes or the Indenture or (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the Holders of the Senior Secured Notes than such restrictions in effect on the Issue Date), except that the Company's equity in the Net Profit of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted

Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(3) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations shall be excluded;

(4) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of the Company);

(5) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries shall be excluded;

(6) the cumulative effect of a change in accounting principles shall be excluded;

(7) any net after-tax extraordinary, nonrecurring, exceptional or unusual gains or losses or income, expenses or charges (less all fees and expenses relating thereto) or any charges or reserves in respect of any severance expenses and expenses, charges, fees or other costs related to any Equity Offering, the issuance of the Senior Secured Notes (and any Additional Senior Secured Notes), the issuance of the Second Lien Notes (and any additional Second Lien Notes), the entering into of the New Revolving Credit Facility and the transactions related thereto;

(8) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or mark-to-market changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations shall be excluded;

(9) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment or termination of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid) and any net gain or loss from any write-off or forgiveness of Indebtedness shall be excluded;

(10) Any (a) relocation costs or expenses relating to officers and employees, (b) one-time non-cash compensation charges, (c) the costs and expenses related to employment of terminated officers or employees and (D) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other equity interests or rights of officers or directors, in each case of such Person or any of its Restricted Subsidiaries shall be excluded;

(11) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, grants and sales of stock, stock appreciation or similar rights, stock options or other equity interests or rights of officers, directors and employees of such Person or any of its Restricted Subsidiaries shall be excluded;

(12) any goodwill or other intangible asset impairment charges and the amortization of intangibles arising from the application of IFRS (excluding any non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period except to the extent such item is subsequently reversed) shall be excluded;

(13) any non-cash interest expense, including non-cash interest expense associated with Subordinated Shareholder Debt, and any non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the

earlier of the maturity date of the Senior Secured Notes and the date on which all the Senior Secured Notes cease to be outstanding shall be excluded;

(14) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies shall be excluded;

(15) To the extent not already included in Consolidated Net Income of such Person and its Restricted Subsidiaries, the amount of proceeds actually received from business interruption and other liability and/or casualty insurance and reimbursements of any expenses and charges pursuant to indemnification or other reimbursement provisions in connection with any Permitted Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture shall be included; and

(16) (a) the non-cash portion of "straight-line" rent expense shall be excluded and (b) the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense shall be included.

"Consolidated Senior Secured Net Leverage" means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness (other than Hedging Obligations) of the Company and its Restricted Subsidiaries on a consolidated basis, less the sum of the aggregate amount of cash and Cash Equivalents, in each case that would be stated on the consolidated balance sheet of the Company as of such date in accordance with IFRS.

"Consolidated Senior Secured Net Leverage Ratio" means, as of any date of determination, the ratio of (a) the Consolidated Senior Secured Net Leverage of the Company on such date to (b) the Consolidated EBITDA of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Consolidated Senior Secured Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Net Leverage Ratio is made (the "Calculation Date"), then the Consolidated Senior Secured Net Leverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the pro forma calculation of Consolidated Senior Secured Net Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock."

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions, dispositions and operational changes that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted

Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the relevant Calculation Date, or that are to be made on the relevant Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated synergies and expense and cost reductions) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the relevant Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the relevant Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the relevant Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

“Contingent Obligations” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“continuing” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“Credit Facility” means, one or more debt facilities, instruments or arrangements incurred (including the New Revolving Credit Facility or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the New Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements,

instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Exchange Protection Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Designated Preference Shares" means, with respect to the Company or any Parent Holdco, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "—Certain covenants—Restricted payments."

"Designated Non-Cash Consideration" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the Holder of the Capital Stock), or upon the happening of any event, (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Senior Secured Notes mature or (2) provides for, either mandatorily or at the option of the Holder of the Capital Stock, the payment of dividends or distributions (other than in the form of Equity Interests that are not Disqualified Stock). Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the Holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain covenants—Restricted payments." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

“Equity Interests” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Equity Investors” means The Carlyle Group CEP III Participations S.à r.l. SICAR, Palamon Capital Partners and Palamon European Equity II, L.P. and their respective Affiliates and any trust, fund, company, partnership or other Person owned, managed, sponsored or advised by The Carlyle Group or Palamon Capital Partners.

“Equity Offering” means (x) a sale of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or a Parent Holdco (other than a sale of Disqualified Stock or Designated Preference Shares or offerings registered on Form S-8 (or any similar form) under the U.S. Security Act or any similar offering in other jurisdiction) or (y) the sale of Capital Stock or other securities by any Person, the net cash proceeds of which are contributed to the Company (other than through an Excluded Contribution or Parent Debt Contribution) in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or as Subordinated Shareholder Debt of the Company.

“Escrowed Proceeds” means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“Exchange” means the Channel Islands Securities Exchange Authority Limited.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“Excluded Contributions” means the net cash proceeds, property or assets received by the Company after the Issue Date from:

- (1) contributions to its Equity Interests; and
- (2) the sale (other than to a Subsidiary of the Company) of Capital Stock (other than Disqualified Stock) of the Company,

in each case designated as “Excluded Contributions” pursuant to an Officer’s Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Company), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the first paragraph of the covenant described under the caption “—Certain covenants—Restricted payments” hereof.

“Fair Market Value” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Company’s Chief Executive Officer, Chief Financial Officer or a responsible accounting or financial officer of the Company.

“Fitch” means Fitch Ratings Limited.

“Fixed Charge Coverage Ratio” means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for

which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same, including the realisation of synergies and expense reductions, had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the pro forma calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock" (other than for the purposes of the calculation of Fixed Charge Coverage Ratio under clause (13) of the definition of "Permitted Debt") or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions, dispositions and operational changes that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated synergies and expense and cost reductions) as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"Fixed Charges" means, with respect to any Person for any period, the sum of:

- (1) without duplication, (i) interest payable (whether in cash or capitalised) on Indebtedness of such Person and its Restricted Subsidiaries for such period, excluding any expense associated with Subordinated Shareholder Funding less (ii) interest income for such period; plus

(2) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock during such period; plus

(3) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; determined on a consolidated basis in accordance with IFRS; plus

(4) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries, but only to the extent such interest is actually paid by the Person guaranteeing or securing such Indebtedness, or by its Restricted Subsidiaries.

“Fixed Rate Notes” means the £275.0 million aggregate principal amount of 6¼% senior secured fixed rate notes due 2022 issued on the Issue Date and any Additional Fixed Rate Notes.

“Floating Rate Notes” means the £150.0 million aggregate principal amount of senior secured floating rate notes due 2022 issued on the Issue Date and any Additional Floating Rate Notes.

“Gilt Rate” means, with respect to any redemption date, the yield to maturity as of two Business Days in London prior to such redemption date of U.K. Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to 15 August 2018, with respect to the Fixed Rate Notes, and to 15 August 2017, with respect to the Floating Rate Notes; *provided, however*, that in no case shall the Gilt Rate be less than zero.

“guarantee” means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

“Guarantors” means each of the Company, each of the Initial Guarantors and any other Subsidiary of the Company that executes a Senior Secured Notes Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Senior Secured Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

“Hedging Obligations” means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

“IFRS” means the International Financial Reporting Standards (formerly International Accounting Standards) endorsed by the European Union or any variation thereof with which the Restricted Subsidiaries are required to comply, or elect to comply, as in effect on the Issue Date or, solely with respect to the covenant described under “—Certain covenants—Reports,” as in effect from time to time.

“Indebtedness” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;
- (3) representing reimbursement obligations in respect of letters of credit, bankers’ acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;
- (6) representing any Hedging Obligations in respect of interest rate or currency hedging; and
- (7) the principal component of all obligations, or liquidation preferences, with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

The term “Indebtedness” shall not include:

- (1) Subordinated Shareholder Debt;
- (2) any lease of property which would be considered an operating lease under IFRS and any guarantee given by the Company or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or a Restricted Subsidiary under any operating lease;
- (3) Contingent Obligations in the ordinary course of business;
- (4) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;
- (5) for the avoidance of doubt, any contingent obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or
- (6) any liability for Taxes.

“Initial Guarantors” means the several Subsidiary Guarantor parties to the Indenture listed under “Listing and general information—Issuer and Guarantor information—Subsidiary Guarantors.”

“Initial Public Offering” means an Equity Offering of common stock or other common equity interests of the Company or any Parent Holdco or any successor of the Company or any Parent Holdco (the “IPO Entity”) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognised exchange or traded on an internationally recognised market.

“Intercreditor Agreement” means the intercreditor agreement to be dated the Issue Date made between, among others, the Security Agent, the agent for the New Revolving Credit Facility, the Trustee and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

“Investment Grade Securities” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “BBB-” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organisation or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognised Statistical Ratings Organisation, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“Investment Grade Status” shall occur when the Senior Secured Notes are rated Baa3 or better by Moody’s and BBB- or better by S&P and BBB- or better by Fitch (or, if either such entity ceases to rate the Senior Secured Notes, the equivalent investment grade credit rating from any other “nationally recognised statistical rating organisation” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency).

“Investments” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company’s Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “—Certain covenants—Restricted payments.” The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such

third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption “—Certain covenants—Restricted payments.” Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

“IPO Entity” means the Company or any Parent Holdco that has issued stock on a Public Offering.

“IPO Market Capitalisation” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“Issue Date” means 5 August 2016.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

“Limited Condition Acquisition” means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; *provided* that the Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

“Listing Sponsor” means the sponsor for the Issuer in respect of the listing of the Senior Secured Notes on the Exchange as the Issuer may appoint, which will initially be Carey Olsen Corporate Finance Limited.

“Management Advances” means loans or advances not exceeding in aggregate outstanding amount £6 million, and in each case made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Company or any Restricted Subsidiary: (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business; (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding £5 million in the aggregate outstanding at any time.

“Management Fees” means (a) customary annual fees for the performance of monitoring services by any Permitted Holder for the Company or any of its Restricted Subsidiaries; *provided* that such fees will not, in the aggregate, exceed £5.0 million per annum (inclusive of out of pocket expenses); and (b) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by any Permitted Holder or any of its Affiliates for the Company or any Restricted Subsidiary, which payments in respect of this clause (b) have been approved by the Board of Directors of the Company.

“Market Capitalisation” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Cash Proceeds,” with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Debt, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing agreements).

“Net Proceeds” means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of (i) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (ii) taxes paid or payable as a result of the Asset Sale, (iii) all distributions and other payments required to be made to minority interest Holders (other than the Company or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, (iv) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS, and (v) all payments made on any Indebtedness incurred pursuant to clause (4) of the definition of Permitted Debt secured by any assets subject to such Asset Sale, as required in accordance with the terms of any Lien upon such assets, or which by applicable law is required be repaid out of the proceeds from such Asset Sale.

“Net Profit” means, with respect to any Person, the net income/(loss) of such Person, determined in accordance with IFRS and before any reduction in respect of dividends on Preferred Stock.

“New Revolving Credit Facility” means the revolving credit facility governed by the New Revolving Credit Facility Agreement.

“New Revolving Credit Facility Agreement” means the £100.0 million super senior revolving credit facility agreement dated on or about 25 July, amongst, *inter alios*, the Company, Credit Suisse AG, London Branch, ING BANK N.V., London Branch, Lloyds Bank plc, Mizuho Bank, Ltd, Société Générale, London Branch, and The Royal Bank of Scotland plc as arrangers.

“Obligations” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“Offering Memorandum” means this offering memorandum, relating to the sale of the Senior Secured Notes.

“Officer” means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, director or a responsible accounting or financial officer of such Person or any other Person designated as such by the Board of Directors.

“Officer’s Certificate” means a certificate signed by an Officer.

“Parent Debt Contribution” means a contribution to the equity of the Company or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (19) of the second paragraph under “—Certain covenants—Restricted payments.”

“Parent Expenses” means:

- (1) costs (including all professional fees and expenses) incurred by any Parent Holdco in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or

instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Holdco owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent Holdco in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent Holdco in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Holdco related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent Holdco, (c) any taxes and other fees and expenses required to maintain such Parent Holdco's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Holdco and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Holdco;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent Holdco or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Debt of the Company, in an amount not to exceed £750,000 in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; and

(8) expenses incurred by any Parent Holdco in connection with any public offering or other sale of Capital Stock or Indebtedness:

(a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

(b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent Holdco shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Parent Holdco" means any Person of which the Company at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in the Company or any Parent Holdco.

"Permitted Business" means (1) any businesses in the care or healthcare industry, services or activities engaged in by the Company or any of its Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Company or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“Permitted Collateral Liens” means:

(1) Liens on the Collateral to secure the Senior Secured Notes (or the Senior Secured Notes Guarantees) (other than Additional Senior Secured Notes or guarantees in respect thereof) and any Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of Permitted Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided further* that all property and assets (including, without limitation, the Collateral) securing such Permitted Refinancing Indebtedness secures the Senior Secured Notes or the Senior Secured Notes Guarantees on a senior or *pari passu* basis;

(2) Liens on the Collateral to secure (i) Indebtedness under Credit Facilities that is permitted by clause (1) of the definition of Permitted Debt, (ii) Senior Secured Indebtedness permitted by the first paragraph of the covenant entitled “—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock” and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness) and (iii) Indebtedness that would be permitted by clause (13) of the definition of Permitted Debt and that is incurred by the Company, the Issuer or a Guarantor (*provided* that in the case of this clause (iii), at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred (A) the Company’s Consolidated Senior Secured Net Leverage Ratio would not exceed 4.75 to 1.0 or (B) the company’s Consolidated Senior Secured Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related incurrence of Indebtedness, in each case after giving effect to the incurrence of such Indebtedness, calculated on a pro forma basis) and Permitted Refinancing Indebtedness in respect thereof; *provided* that, in each case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness will also secure the Senior Secured Notes or the Senior Secured Notes Guarantees (which security, when securing Indebtedness that is incurred pursuant to clause (1) of the definition of Permitted Debt and which is not reclassified may rank senior to the Liens securing the Senior Secured Notes with respect to distributions of proceeds of any enforcement of Collateral); *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) Liens on the Collateral securing Hedging Obligations (other than Hedging Obligations in respect of commodity prices) permitted by clause (8) of the definition of Permitted Debt to the extent such Hedging Obligations related to Indebtedness referred to in clauses (1) or (2) or clause (5) below and any Permitted Refinancing Indebtedness in respect thereof (and any Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness) and such Indebtedness is also secured by the Collateral, *provided* that the property and assets (including, without limitation, the Collateral) securing such Indebtedness or Hedging Obligations will also secure the Senior Secured Notes or the Senior Secured Notes Guarantees (which security in favour of the Senior Secured Notes may rank junior to that securing such Hedging Obligations with respect to distributions of proceeds of any enforcement of Collateral, *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) Liens on the Collateral that are fixed charges incurred to secure Indebtedness permitted by clause (4) of the definition of Permitted Debt covering only the assets acquired with or financed by such Indebtedness;

(5) Liens on the Collateral to secure Indebtedness of the Company, the Issuer or any Guarantor permitted by (i) clause (17) of the definition of Permitted Debt and (ii) clause (19) of the definition of Permitted Debt and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing

Indebtedness; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Senior Secured Notes or the Senior Secured Notes Guarantees; *provided further* that each of the parties thereto or their representative will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(6) Liens that are junior to the Liens securing the Senior Secured Notes; *provided further* that each of the parties thereto or their representative will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(7) Liens on the Collateral described in one or more of clauses (3), (8), (9), (10), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (23), (24), (25), (26), (27) and (28) of the definition of "Permitted Liens."

"Permitted Holders" means, individually or collectively, (i) the Equity Investors and their Affiliates and Related Parties, (ii) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity, and (iii) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence) is a member; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Equity Investors (or at least one of them) and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the voting Stock of the Company or any of Parent Holdco. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Investments" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the option of Holders—Asset sales*";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or Subordinated Shareholder Debt;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(7) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(8) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled “—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock”;

(9) Investments in the Senior Secured Notes and any other Indebtedness of the Company or any Restricted Subsidiary;

(10) any guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption “—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock”;

(11) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date by the Company or any Restricted Subsidiary of the Company and any Investment consisting of an extension, modification or renewal of any such Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(12) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “—Certain covenants—Merger, consolidation or sale of assets” after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(13) Management Advances;

(14) any Investment to the extent made using as consideration Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Holdco); and

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of £25.0 million and 29% of the Company's Consolidated EBITDA; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption “—Certain covenants—Restricted payments,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of “Permitted Investments” and not this clause.

“Permitted Liens” means:

(1) Liens in favour of the Company or any Restricted Subsidiary;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or Liens securing Indebtedness in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided* that such Liens do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary;

- (3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);
- (4) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor permitted by the covenant described under "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock";
- (5) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock" covering only the assets acquired with or financed by such Indebtedness;
- (6) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described above under the caption "—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock";
- (7) Liens existing on the Issue Date;
- (8) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings;
- (9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;
- (10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (11) Liens created for the benefit of (or to secure) the Senior Secured Notes (or the Senior Secured Notes Guarantees);
- (12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however, that:*
- (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof); and
 - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (13) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (14) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under other applicable laws) in connection with operating leases in the ordinary course of business;

- (15) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (17) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (18) leases (including operating leases), licenses, subleases and sublicenses of assets in the ordinary course of business;
- (19) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;
- (20) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (21) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (23) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (24) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (25) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Company or any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by the Company or any Restricted Subsidiary;
- (26) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (27) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(28) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(29) Liens on Escrowed Proceeds for the benefit of the related Holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and

(30) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary securing Indebtedness of the Company and its Restricted Subsidiaries that does not exceed £5 million at any one time outstanding.

“Permitted Parent Payments” means, without duplication as to amounts, payments to any Parent Holdco to permit such entity to pay:

(1) customary indemnification obligations of any Parent Holdco owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(2) obligations of any Parent Holdco in respect of directors’ fees, remuneration and expenses (including director and officer insurance (including premiums therefore)) to the extent relating to the Company and its Subsidiaries;

(3) professional fees and expenses of any Parent Holdco related to the ownership of the Capital Stock of the Company and, indirectly through the Company, its Subsidiaries (including, without limitation, accounting, legal, audit corporate reporting, and administrative expenses and other reasonable and normal course expenses required to maintain such Parent Holdco’s corporate existence or its holding of the Capital Stock of the Company); and

(4) expenses incurred by any Parent Holdco in connection with any public offering or other sale of Capital Stock or Indebtedness, whether consummated or not, (i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Subsidiary of the Company; or (ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; and

(5) any Related Taxes.

“Permitted Refinancing Indebtedness” means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Senior Secured Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually subordinated in right of payment to the Senior Secured Notes or the Senior Secured Notes Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Senior Secured Notes or the Senior Secured Notes Guarantees, as the case may be, on terms at least as favourable to the Holders of Senior Secured Notes or the Senior Secured Notes Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Company or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Company or a Guarantor.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity.

“Pre-Expansion European Union” means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004.

“Preferred Stock” means any Equity Interests with preferential right of payment of dividends or upon liquidation, dissolution or winding up.

“Public Offering” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

“Public Market” means any time after:

(1) a Public Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Company (or a Parent Holdco) has been distributed to investors other than the Equity Investors or any other direct or indirect shareholders of the Company as of the Issue Date.

“Qualified Receivables Financing” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and its Restricted Subsidiaries,

(2) all sales of accounts receivable and related assets by the Company or any Restricted Subsidiary to the Receivables Subsidiary are made at Fair Market Value (as determined in good faith by the Company), and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Company) and may include Standard Securitisation Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure any Credit Agreement shall not be deemed a Qualified Receivables Financing.

“Receivables Assets” means any assets that are or will be the subject of a Qualified Receivables Financing.

“Receivables Fees” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“Receivables Financing” means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitisation transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

“Receivables Repurchase Obligation” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defence, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“Receivables Subsidiary” means a Wholly Owned Restricted Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitisation Undertakings), (ii) is recourse to or obligates the Company or any other Subsidiary of the Company in any way other than pursuant to Standard Securitisation Undertakings, or (iii) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitisation Undertakings,

(2) with which neither the Company nor any other Subsidiary of the Company has any material contract, agreement, arrangement or understanding other than on terms which

the Company reasonably believes to be no less favourable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, and

(3) to which neither the Company nor any other Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"Refinancing" means the Offering and the use of proceeds therefrom as set forth under "Use of proceeds."

"Related Parties" means:

(1) any controlling stockholder, or any 50% (or more) owned Subsidiary, or immediate family member (in the case of an individual), of any Equity Investor; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause.

"Related Taxes" means:

any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Holdco), required to be paid (provided such Taxes are in fact paid) by any Parent Holdco by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Debt;

(c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Company is permitted to make payments to any Parent Holdco pursuant to "—Certain covenants—Restricted payments."

"Replacement Assets" means non current properties and assets that replace the properties and assets that were the subject of an Asset Sale or non current properties and assets that will be used in the Company's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any member of senior management of the Company are reasonably related; *provided* that the Fair Market Value of the assets received by the Company and its Restricted Subsidiaries is substantially equivalent to the Fair Market Value of the assets exchanged by the Company and its Restricted Subsidiaries.

"Restricted Investment" means an Investment other than a Permitted Investment.

“Restricted Subsidiary” means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Group.

“SEC” means the U.S. Securities and Exchange Commission.

“Second Lien Notes” means the £130.0 million aggregate principal amount of Second Lien Notes due 2023 to be issued by the Issuer on or about the Issue Date.

“Second Lien Notes Indenture” means the indenture to be dated on or about the Issue Date governing the Second Lien Notes by and among, inter alios, the Company, the Issuer and U.S. Bank Trustees Limited, as trustee.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“Security Agent” means U.S. Bank Trustees Limited, as security agent pursuant to the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity.

“Security Documents” means (i) the English law governed debenture entered into by the Issuer and the Guarantors on or about the Issue Date, (ii) the Scots law governed bond and floating charge entered into by the relevant Guarantor on or about the Issue Date, (iii) the Scots law governed share pledge entered into by the relevant Guarantor on or about the Issue Date and (iv) any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the Holders of the Senior Secured Notes and the Trustee or notice of such pledge, assignment or grant is given.

“Senior Secured Indebtedness” means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that (a) is secured by a Lien on the Collateral and not contractually subordinated to obligations under the Senior Secured Notes or Senior Secured Notes Guarantees or (b) that is incurred by a Restricted Subsidiary that is not a Guarantor and that in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under “—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock” or clauses (1), (3), (4), (13), (17), (19) to the extent of the second paragraph of the covenant described under “—Certain covenants—Incurrence of Indebtedness and issuance of Preferred Stock” (in the case of clause (3), to the extent such Indebtedness constitutes Indebtedness under the Senior Secured Notes (excluding Additional Senior Secured Notes)), any Senior Secured Notes Guarantees and any Permitted Refinancing Indebtedness in respect of the foregoing.

“Senior Secured Notes” means the Fixed Rate Notes and the Floating Rate Notes.

“Senior Secured Notes Guarantee” means the guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Senior Secured Notes, executed pursuant to the provisions of the Indenture.

“Significant Subsidiary” means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries that are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

“Specified Change of Control Event” means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that giving pro forma effect thereto, the Consolidated Net Leverage Ratio of the Company would have been less than (x) 6.25 to 1.0, if the date of such occurrence is prior to the eighteen month anniversary of the

Issue Date; or (y) 5.75 to 1.0, if the date of such occurrence is on or after the eighteen month anniversary of the Issue Date; *provided further* that when calculating the Consolidated Net Leverage Ratio of the Company for the purposes of this definition, the Company shall be entitled at its option to make such calculations as it would if making calculations of baskets or ratios in connection with a Limited Condition Acquisition, and the date of determination of the Consolidated Net Leverage Ratio of the Company shall, upon such election by the Company, be the date of the definitive agreements in respect of such event with such pro forma adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Fixed Charge Coverage Ratio after giving effect to such event and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability for such event to qualify as a Specified Change of Control Event.

“Stated Maturity” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“Subordinated Indebtedness” means, with respect to any person, Indebtedness which is expressly subordinated in right of payment to the Senior Secured Notes or the Senior Secured Notes Guarantees pursuant to a written agreement.

“Subordinated Shareholder Debt” means, collectively, any debt provided to the Company by any direct or indirect Parent Holdco or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

- (1) does not (including upon the happening of any event) mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Senior Secured Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Company (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);
- (2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Senior Secured Notes;
- (3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Senior Secured Notes;
- (4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Company;
- (5) is subordinated in right of payment to the prior payment in full in cash of the Senior Secured Notes in the event of any default, bankruptcy, reorganisation, liquidation, winding up or other disposition of assets of the Company at least to the same extent as the Subordinated Liabilities (as defined in the Intercreditor Agreement) are subordinated to the Senior Secured Notes under the Intercreditor Agreement; or
- (6) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the Holder, in whole or in part, prior to the date on which the Senior Secured Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Company,

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

“Subsidiary” means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“Successor Parent” with respect to any person, means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that “beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “beneficially own” has the meaning correlative to the term “beneficial owner,” as such term is defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act (as in effect on the Issue Date).

“Tax” means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax) that are imposed by any government or other taxing authority. “Taxes” and “Taxation” shall be construed to have corresponding meanings.

“Tax Sharing Agreement” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent Holdco or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and the terms of the Indenture.

“Temporary Cash Investments” means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognised by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognised Statistical Rating Organisation);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the New Revolving Credit Facility;

(b) any institution authorised to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organised under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognised Statistical Rating Organisation) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognised Statistical Rating Organisation);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognised Statistical Rating Organisation);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialised equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organised under the laws of a country that is a member of the Organisation for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognised Statistical Rating Organisation) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

“U.K. Government Securities” means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

“Unrestricted Subsidiary” means any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction or Investment therein, but excluding the Issuer or any successor to the Issuer) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors and any Subsidiary of such Subsidiary, but only to the extent that such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any Restricted Subsidiary.

“Voting Stock” of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then-outstanding principal amounts of such Indebtedness.

Book-entry, delivery and form

General

Notes sold to QIBs in reliance on Rule 144A will initially be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Note"). Notes sold outside the United States in offshore transactions in reliance on Regulation S will initially be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Note (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Book-Entry Interests will not be issued in definitive form.

The Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, whilst the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of us, the Trustee, the Paying Agents, the Registrars, or any of our or their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Definitive registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive Notes in registered form:

- (a) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- (b) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Issuer will issue definitive registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear,

Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such definitive registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agents, the Registrars, or any of our or their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than £100,000 principal amount may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the relevant Paying Agent, which will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Additional Amounts." If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Notes—Additional Amounts," we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we, the Trustee, the Paying Agents and the Registrars will treat the registered holders of the Global Notes (i.e. the common depository for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustee, Paying Agents, Registrars or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining,

supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book- Entry Interest;

- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depository.

Currency of payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in pounds.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form the definitive registered Notes, and to distribute such definitive registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of definitive registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Notes will bear a legend to the effect set out under "Transfer restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Transfer restrictions."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 or any other exemption (if available under the US Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer restrictions" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “Description of the Notes—Transfer and exchange,” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Transfer restrictions.”

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of us, the Trustee, the Paying Agents, the Registrars, or any of our or their respective agents or the Initial Purchasers are or will be responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organisations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global clearance and settlement under the book-entry system

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system’s rules and operating procedures.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes amongst participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee, Registrars, the Paying Agents or our or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in pounds. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Tax considerations

United Kingdom tax

The comments below are of a general nature based on the Issuer's understanding of current UK law as applied in England and Wales and HMRC practice (which may not be binding on HMRC), both of which may be subject to change (including with retrospective effect), and are not intended to be exhaustive, relating only to certain aspects of UK taxation. They do not necessarily apply where the income is deemed for tax purposes to be the income of any person other than holders of the Notes. They relate only to the position of persons who are the absolute beneficial owners of their Notes and may not apply to certain classes of persons such as dealers in securities or certain professional investors.

The UK tax treatment of prospective holders of Notes depends upon their individual circumstances and may be subject to change in the future. This description does not purport to constitute legal or tax advice and any prospective holders of the Notes who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers. Further, these comments do not address the tax consequences for holders of Notes who are individuals treated as non-domiciled and resident in the United Kingdom for UK tax purposes.

Interest

Whilst the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of UK income tax. The Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the Exchange if they are admitted to trading on, and included in the Official List of, the Exchange.

If the Notes are not listed on a "recognised stock exchange" or cease to be so listed, interest will generally be paid by the Issuer under deduction of income tax at the basic rate (currently 20%) unless (i) any other exemption or relief applies; or (ii) the Issuer has received a direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Any premium payable on redemption may be treated as a payment of interest for UK tax purposes and may accordingly be subject to the withholding tax treatment described above.

The UK withholding tax treatment of payments by a Guarantor under the terms of a Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by a Guarantor may not be eligible for the exemption in respect of bonds listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if a Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

Interest and premium on the Notes has a UK source and accordingly may be chargeable to UK tax by direct assessment (including self-assessment). Where interest and premium is paid without withholding or deduction, the interest and premium will not be assessed to UK tax in the hands of holders of the Notes (other than certain trustees) who are not resident in the United Kingdom, except where the holder of the Note carries on a trade, profession or vocation through a branch or agency, or in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom, in connection with which the interest and premium is received or to which the Notes are attributable, in which case (subject to exemptions for interest and premium received by certain categories of agent) UK tax may be levied on the UK branch or agency, or permanent establishment.

If interest and premium were paid under deduction of UK income tax (e.g. if the Notes lost their listing on a “recognised stock exchange”), holders of the Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Holders of the Notes should note that the provisions relating to additional amounts referred to in “Description of the Notes—Additional Amounts” would not apply if HMRC sought to assess directly the person entitled to the relevant interest and premium to UK tax. However, exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Provision of information

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual or (ii) paying amounts due on redemption of the Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries. However, in relation to amounts payable on redemption of such Notes, HMRC published practice currently indicates that HMRC will not exercise its power to obtain information although this practice may change in the future.

UK corporation tax payers

Holders of the Notes within the charge to UK corporation tax (including non-resident holders whose Notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be subject to tax on income on all returns, profits or gains on, and fluctuations in value of, the Notes broadly in accordance with their statutory accounting treatment. Fluctuations in value relating to foreign exchange gains and losses in respect of the Notes will be brought into account as income.

Other holders of the Notes

Taxation of chargeable gains

The Notes will constitute “qualifying corporate bonds” within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a holder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Accrued income profits

On a disposal of Notes by a holder of the Notes, any interest that has accrued since the last interest payment date may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the Income Tax Act 2007 if that holder of the Notes is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. Those provisions will not apply to Notes that are deemed to be “deeply discounted securities” (as to which, see “—Taxation of discounts” below).

Additional rules apply under Part 12 of the Income Tax Act 2007 on an issue of securities which are fungible with securities previously issued, and are issued with an element of accrued interest for which holders pay an additional amount as part of the purchase price. In that case, holders of the Notes within the charge to UK income tax may be entitled to an “accrued income loss” equal to the amount of the accrued interest. Where this applies, then it may be possible for such accrued income loss to be set off against income received (or, for the purpose of Part 12 of

the Income Tax Act 2007, deemed to be received) by the holder in respect of its holding of Notes.

Taxation of discounts

Dependent, amongst other things, on the discount (if any) at which a future issue (if any) of Notes are issued, or, in certain cases the premium (if any) payable on redemption, Notes may be deemed to constitute “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. In respect of any Notes that are deemed to constitute “deeply discounted securities,” individual holders of the Notes who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable generally may be liable to UK income tax on any profit made on the sale or other disposal (including redemption) of the Notes. Holders of the Notes are advised to consult their own professional advisers if they require any advice or further information relating to “deeply discounted securities.”

The references to “interest,” “premium” and “discount” above are to “interest,” “premium” and “discount” as understood for the purposes of UK tax law. They do not take into account any different definitions of “interest,” “premium” and “discount” that may prevail under any other tax law or that may apply under the terms and conditions of the Notes or any related document.

Stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax is payable on the issue of or on a transfer of, or an agreement to transfer, Notes.

Certain United States federal income tax considerations

The following discussion is a general summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with U.S. Holders who purchase the Notes in this Offering at their “issue price” (i.e. the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular U.S. Holders (such as the Medicare tax on certain investment income), and does not address the consequences under U.S. federal tax laws other than U.S. federal income tax laws (such as U.S. federal estate or gift tax laws) or state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of U.S. Holders subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, regulated investment companies, S corporations, partnerships or other pass-through entities for U.S. federal income tax purposes or investors in such entities, real estate investment trusts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions or as part of a “synthetic security” or other integrated transaction for U.S. federal income tax purposes, investors who own, directly, indirectly, or constructively, five percent (5%) or more of the Issuer’s stock, investors whose functional currency is not the U.S. dollar, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States.

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, the District of Columbia

or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes and partners in such partnerships should consult their tax advisers concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. We have not and will not seek any rulings from the Internal Revenue Service (“IRS”) regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the acquisition, ownership and disposal of Notes that are different from those discussed below.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Additional Amounts

In certain circumstances (see “Description of the Notes—Repurchase at the option of Holders—Change of control” and “Description of the Notes—Optional redemption”), we may be obliged to pay amounts in excess of stated interest or principal on the Notes. Our obligation to pay such excess amounts may implicate the provisions of the Treasury regulations relating to “contingent payment debt instruments.” Under these regulations, however, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the Issue Date, such contingencies in the aggregate are considered “remote” or “incidental.” We believe and intend to take the position that the foregoing contingencies should be treated as remote and/or incidental. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. However, this determination is inherently factual and we can give you no assurance that our position would be sustained if challenged by the IRS. A successful challenge of this position by the IRS could require a holder subject to U.S. federal income taxation to accrue ordinary income at a rate that is higher than the stated interest rate and to treat any gain recognised on a sale or other taxable disposition of a Note as ordinary income, rather than capital gain. The remainder of this disclosure assumes that the Notes will not be considered contingent payment debt instruments. Prospective purchasers are urged to consult their own tax advisers regarding the potential application to the Notes of the contingent payment debt regulations and the consequences thereof.

Payments of interest

Interest on a Note (including any non-U.S. taxes withheld from payments thereof and any Additional Amounts paid in respect of such withholding taxes) will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

The amount of income recognised by a cash basis U.S. Holder that receives an interest payment in pounds sterling will be the U.S. dollar value of the interest payment, based on the exchange

rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in pounds sterling in accordance with either of two methods. Under the first method, the amount of interest income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Whether or not such election is made, upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in pounds sterling, an accrual basis U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) in respect of an accrual period and the amount previously accrued during such accrual period (as described above), regardless of whether the payment is in fact converted into U.S. dollars. Such gain or loss will generally constitute U.S. source gain or loss.

Foreign tax credit

Subject to the discussion of exchange gain or loss above, interest income on a Note generally will constitute foreign source income and be considered “passive category income” or, in the case of certain U.S. Holders, “general category income” in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax law. Any non-U.S. withholding tax paid by the U.S. Holder at a rate applicable to such holder may be eligible for foreign tax credits (or, at such holder’s election, a deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holders’ particular circumstances. U.S. Holders should consult their tax advisers regarding the availability of foreign tax credits.

Sale, exchange, redemption, retirement or other taxable disposition of the Notes

A U.S. Holder generally will recognise gain or loss on a sale, exchange, redemption, retirement or other taxable disposition of a Note in an amount equal to the difference, if any, between the amount realised on the disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder’s adjusted tax basis in the Note. If a U.S. Holder receives foreign currency on such a disposition, the amount realised will be the U.S. dollar value of the foreign currency received at the exchange rate on the date of disposition or, if the Note is traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date. This special election available to accrual basis U.S. Holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. A U.S. Holder’s adjusted tax basis in a Note generally will be the amount paid for the Note. If a U.S. Holder uses foreign currency to purchase a Note, the amount paid for the Note will be the U.S. dollar value of the foreign currency purchase price at

the exchange rate on the purchase date (or, if the Note is traded on an established securities market and the holder is a cash basis or an election accrual basis U.S. Holder, the settlement date).

If a Note is not traded on an established securities market (or, if a Note is so traded, but the applicable U.S. Holder is an accrual basis taxpayer that has not made the settlement date election), a U.S. Holder will recognise exchange gain or loss (taxable as U.S. source ordinary income or loss) to the extent that the U.S. dollar value of the foreign currency received (based on the exchange rate on the settlement date of the disposition) differs from the U.S. dollar value of the amount realised.

Subject to the discussion of exchange gain or loss below, gain or loss recognised on the sale, exchange, redemption, retirement or other taxable disposition of a Note will be U.S. source capital gain or loss. Any such capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder generally will be eligible for reduced rates of taxation on any long-term capital gain recognised. Deductions for capital losses are subject to limitations. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale, exchange, redemption, retirement or other taxable disposition of the Notes.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder may recognise gain or loss that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note. For these purposes, the principal amount of a Note is the U.S. Holder's foreign currency purchase price of the Note. Gain or loss attributable to fluctuations in exchange rates with respect to the principal amount of such Note generally will equal the difference between (i) the U.S. dollar value of the principal amount of the Note, determined on the date such payment is received for the Note or such Note is disposed of, and (ii) the U.S. dollar value of the principal amount of the Note, determined on the date the U.S. Holder acquired such Note (or, in each case, on the settlement date, if the Note is traded on an established securities market and the holder is either a cash basis U.S. Holder or an electing accrual basis U.S. Holder). Such gain or loss will be treated as ordinary income or loss and generally will be treated as U.S. source income or as an offset to U.S. source income, respectively. In addition, exchange gain or loss may be realised with respect to accrued interest as discussed under "—Payments of interest." However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder will realise exchange gain or loss with respect to principal and accrued interest only to the extent of the total gain or loss realised on the disposition.

Disposition of foreign currency

Pounds sterling received as interest on a Note or on the sale or other disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the pounds sterling are received. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will generally be U.S. source ordinary income or loss.

Backup withholding and information reporting

Payments of principal and interest on, and the proceeds of sale or other disposition (including a retirement or redemption) of Notes may be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, amongst others, corporations) are not subject to backup withholding. Prospective purchasers should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Backup withholding is not an additional tax. Amounts withheld as backup

withholding may be credited against a U.S. Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Reportable transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, since the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds certain thresholds, and to disclose its investment by filing Form 8886 (Reportable Transaction Disclosure Statement) with the IRS. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Foreign financial asset reporting

Legislation enacted in 2010 imposes reporting requirements (generally an IRS Form 8938 (Statement of Specified Foreign Financial Assets)) on certain holders of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds US\$50,000 at the end of the taxable year or US\$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at certain financial institutions. Prospective purchasers should consult their tax advisers regarding the application of this legislation.

FATCA

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining "foreign passthru payments" are filed generally would be "grandfathered" unless such obligations are materially modified after such date. As of the date of this Offering Memorandum, applicable final Treasury Regulations have not yet been filed. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into, and others are expected to enter into, intergovernmental agreements with the United States to implement FATCA in a manner that alters the rules described herein. U.S. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

Transfer restrictions

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the US Securities Act, or securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable securities laws of any other jurisdiction.

Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the US Securities Act ("Rule 144A") and outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act ("Regulation S").

We have not registered and will not register the Notes or the Guarantees under the US Securities Act, and therefore the Notes and the Guarantees may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States, to QIBs; and
- outside the United States, in offshore transactions in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

You, by your acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- (1) You understand that the Notes are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the US Securities Act, that the Notes have not been and will not be registered under the US Securities Act and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with Regulation S and (iii) in compliance with the registration requirements of the US Securities Act or pursuant to exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set out in paragraph (5) below in each case in accordance with any applicable securities laws of any State of the United States, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you of the resale restrictions referred to in (A) above.
- (2) You are either:
 - (A) a QIB, and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition of Notes will be for your own account or for the account of another QIB; or
 - (B) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to you with respect to the offer or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial

Purchasers nor any person representing the Initial Purchasers make or makes any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

- (4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the US Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the US Securities Act.
- (5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by the acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the US Securities Act, an exemption from the registration requirements of the US Securities Act or in any transaction not subject thereto, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A or (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee.
- (6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT OR IN ANY TRANSACTION NOT SUBJECT THERETO (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE

THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

- (7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.
- (8) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

Plan of distribution

Subject to the terms and conditions set out in the Purchase Agreement to be dated as at the date of this offering memorandum, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed severally and not jointly, to purchase the Notes from the Issuer.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, amongst other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. The Initial Purchasers may make offers and sales in the United States through U.S. broker-dealers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set out on the cover page hereof.

The Purchase Agreement provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including certain liabilities under the US Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Guarantors have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any securities of, or guaranteed by, the Issuer or any of the Guarantors that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date that is 45 days after the date of the Purchase Agreement, without the prior written consent of the representatives of the Initial Purchasers.

The Notes and the Guarantees have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "Transfer restrictions."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required.

Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes and the Guarantees may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a

solicitation of an offer to purchase Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "Transfer restrictions."

Application has been made to The Channel Islands Securities Exchange Authority Limited (the "Exchange") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

The Initial Purchasers are not obliged to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the US Securities Act and the US Exchange Act. Accordingly, we cannot assure you that any market for the Notes will be liquid or that you will be able to sell any Notes at a particular time or at a price which will be favourable to you.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the US Exchange Act) following the date of pricing of the Notes (this settlement cycle is referred to as "T + 10").

The Initial Purchasers may engage in over-allotment, stabilising transactions and covering transactions in accordance with Regulation M under the US Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilising transactions permit bidders to purchase the underlying security so long as the stabilising bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

In connection with the Offering, a stabilising manager, or a person acting on its behalf, may engage in transactions that stabilise, maintain or otherwise affect the price of the Notes.

Specifically, a stabilising manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. A stabilising manager may also over-allot the Offering (provided that the aggregate principal amount of Notes allotted does not exceed 105% of the aggregate principal amount of the Notes that are the subject of this Offering), creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, a stabilising manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations. These activities may stabilise or maintain the respective market price of the Notes above market levels that may otherwise prevail. A stabilising manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

These stabilising transactions and covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issue of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

Investment funds advised by entities affiliated with Carlyle or Palamon may purchase Notes in the Offering at a purchase price per Note equal to the issue price set forth on the cover page of this offering memorandum, subject in the case of investment funds registered under the

Investment Company Act of 1940, as amended (the "1940 Act"), to the limitations of the 1940 Act. The Purchase Agreement between the Issuer and the Initial Purchasers will not restrict the ability of the funds and the affiliates of Carlyle or Palamon to buy or sell the Notes in the future, and as a result, these investment funds and affiliates of Carlyle or Palamon may buy or sell Notes in open market transactions at any time following the completion of the Offering.

The Initial Purchasers or their respective affiliates from time to time have provided in the past, provide currently and may provide in the future investment banking, financial advisory and commercial banking services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions.

In addition, certain of the Initial Purchasers or certain of their affiliates are lenders under the Issuer's Existing Revolving Credit Facility, amounts outstanding under which will be repaid in full with the proceeds of the Offering, and counterparties to certain of its hedging arrangements and will receive customary fees in such capacities. See "Use of proceeds." Affiliates of certain of the Initial Purchasers are lenders under, and certain other Initial Purchasers and/or their respective affiliates may hold positions in, the New Revolving Credit Facility, which is secured on a super priority basis by the Collateral securing the Notes. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to priority hedging obligations entered into for bona fide hedging purposes and not for speculative purposes have been repaid in full. Additionally, affiliates of Goldman Sachs International have committed pursuant to the Second Lien Commitment Letter to purchase the Second Lien Notes from the Issuer. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us may hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Legal matters

Certain legal matters in connection with the Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of United States federal, New York and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal, New York and English law.

Independent auditor

The consolidated financial statements of the Parent Guarantor as at and for the years ended 31 March 2016, 31 March 2015 and 31 March 2014 included in this offering memorandum have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports appearing herein. PricewaterhouseCoopers LLP is a member of The Institute of Chartered Accountants in England and Wales.

In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, the independent auditor's reports of PricewaterhouseCoopers LLP state that: they have been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and for no other purpose; and the auditor does not accept or assume responsibility for any other purpose or to any other person to whom these reports are shown or into whose hands they may come save where expressly agreed by their prior consent in writing. The independent auditor's report for the 2016 Audited IFRS Financial Statements is included beginning on page F-4, the independent auditor's report for the 2015 Audited GAAP Financial Statements is included beginning on page F-75, and the independent auditor's report for the 2014 Audited GAAP Financial Statements is included beginning on page F-118.

You should understand that in making these statements, the independent auditor confirmed that it does not accept or assume any liability to parties (including the Initial Purchasers of the Notes and you) other than to the respective company and its members as a body, with respect to such reports and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the US Securities Act, or in a report filed under the US Exchange Act. If a US court (or any other court) were to give effect to such limiting language, the recourse that you may have against the independent auditor based on its reports or the consolidated financial statements to which they relate could be limited.

Where to find additional information

Each purchaser of Notes from an Initial Purchaser will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

- (i) such person has been afforded an opportunity to request from the Issuer, and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;
- (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its decision to invest in the Notes; and
- (iii) except as provided pursuant to (i) above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by us or the Initial Purchasers.

We have agreed in the Indenture that, if at any time we are not subject to Section 13 or Section 15(d) of the US Exchange Act, or are exempt from reporting pursuant to Rule 12g3-2(b) of the US Exchange Act, we will, upon the request of a holder of the Notes, furnish to such holder or beneficial owner or to the Trustee or the Paying Agent for delivery to such holder or beneficial owner or prospective purchaser of the Notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the Notes. Any such request should be directed to the Issuer at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG, United Kingdom. Attention: Chief Financial Officer.

The Issuer is not currently subject to the periodic reporting and other information requirements of the US Exchange Act. However, pursuant to the Indenture, the Issuer has agreed to furnish periodic information to the holders of the Notes. See "Description of the Notes—Certain covenants—Reports."

Anyone who receives this offering memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of the Senior Secured Fixed Rate Note, the form of the Senior Secured Floating Rate Note, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to the Issuer (attention: Chief Financial Officer) at the address of the Issuer.

Listing and general information

Listing

Application has been made to The Channel Islands Securities Exchange Authority Limited (the “Exchange”) for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Neither the admission of the Notes to the Official List of the Exchange nor the approval of this offering memorandum pursuant to the listing requirements of the Exchange shall constitute a warranty or representation by the Exchange as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in this offering memorandum or the suitability of the Issuer for investment or for any other purpose.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

A copy of this offering memorandum will be available for inspection at the offices of Carey Olsen Corporate Finance Limited during normal business hours for a period of 14 days following the listing of the Notes on the Official List of the Exchange.

Clearing information

The Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set out below.

	ISIN	Common codes
Rule 144A Global Notes:		
Senior Secured Fixed Rate Notes	XS1458419337	145841933
Senior Secured Floating Rate Notes	XS1458419923	145841992
Regulation S Global Notes:		
Senior Secured Fixed Rate Notes	XS1458419501	145841950
Senior Secured Floating Rate Notes	XS1458419840	145841984

Director conflicts of interest

Certain of the directors of the Issuer are employees and senior executives of the Issuer and hold other directorships within our group. In addition, certain directors of the Issuer are partners or directors of Palamon and Carlyle respectively. See “Management.”

Other than as set out above, none of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests.

Issuer and Guarantor information

The Issuer

The issuer is IDH Finance plc, which was incorporated as a public limited company under the laws of England and Wales on 7 May 2013, with registered number 08516986. The Issuer’s registered office is located at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. The Issuer is a wholly owned subsidiary of the Parent Guarantor.

For a full description of the principal shareholders of the Issuer, see “Principal shareholders.”

The Parent Guarantor

The Parent Guarantor is a private limited company incorporated under the laws of England and Wales on 18 January 2011, with registered number 07496754 and with the name Turnstone Midco 2 Limited. The Parent Guarantor’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. The Parent Guarantor is a wholly owned subsidiary of EquityCo.

Subsidiary Guarantors

Turnstone Bidco 1 Limited is a private limited company organised under the laws of England and Wales on 18 January 2011, with registered number 07496765 and with the name Turnstone Bidco 1 Limited. Turnstone Bidco 1 Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. Turnstone Bidco 1 Limited is a wholly owned subsidiary of EquityCo.

Whitecross is a private limited company organised under the laws of England and Wales on 12 December 1929, with registered number 00244415 and with the name Whitecross Dental Care Limited. Whitecross’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. Whitecross is an indirect wholly owned subsidiary of EquityCo.

IDH Limited (“IDH Limited”) is a private limited company organised under the laws of England and Wales on 11 November 1929, with registered number 00243708 and with the name ADP Dental Company Limited. IDH Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. IDH Limited is an indirect wholly owned subsidiary of EquityCo.

PTPL is a private company limited by shares organised under the laws of Scotland on 28 August 1954, with registered number SC030254 and with the name Petrie Tucker & Partners Limited. PTPL’s registered office is at 1 Johnston Street, Paisley, Renfrewshire, PA1 1XD. PTPL is an indirect wholly owned subsidiary of EquityCo.

Orthoworld 2000 Limited (“Orthoworld”) is a private limited company organised under the laws of England and Wales on 4 April 1952, with registered number 00506666 and with the name Orthoworld 2000 Limited. Orthoworld’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. Orthoworld is an indirect wholly owned subsidiary of EquityCo.

Community Dental Centres Limited (“CDCL”) is a private limited company organised under the laws of England and Wales on 24 May 1955, with registered number 00549762 and with the name Community Dental Centres Limited. CDCL’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. CDCL is an indirect wholly owned subsidiary of EquityCo.

First Choice Dental Limited (“First Choice”) is a private limited company organised under the laws of England and Wales on 22 September 2006, with registered number 05943470 and with the name First Choice Dental Limited. First Choice’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. First Choice is an indirect wholly owned subsidiary of EquityCo.

KH&GW Limited (“KHGW”) is a private limited company organised under the laws of England and Wales on 30 January 2008, with registered number 06488805 and with the name KH&GW Limited. KHGW’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. KHGW is an indirect wholly owned subsidiary of EquityCo.

Orthocentres Limited (“Orthocentres”) is a private limited company organised under the laws of England and Wales on 30 May 2006, with registered number 04281011 and with the name Orthocentres Limited. Orthocentres’ registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. Orthocentres is an indirect wholly owned subsidiary of EquityCo.

1A Dental Practice Limited (“1A Dental”) is a private limited company organised under the laws of England and Wales on 17 March 2005, with registered number 05397004 and with the name 1A Dental Practice Limited. 1A Dental’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. 1A Dental is an indirect wholly owned subsidiary of EquityCo.

MC Dentistry Limited (“MC”) is a private limited company organised under the laws of England and Wales on 10 December 1949, with registered number 00475960 and with the name MC Dentistry Limited. MC’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. MC is an indirect wholly owned subsidiary of EquityCo.

Q Dental Care Limited (“Q Dental”) is a private limited company organised under the laws of England and Wales on 27 March 2008, with registered number 06545882 and with the name Q Dental Care Limited. Q Dental’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. Q Dental is an indirect wholly owned subsidiary of EquityCo.

DBG (UK) Limited (“DBG (UK)”) is a private limited company organised under the laws of England and Wales on 23 February 2010, with registered number 07165429 and with the name DBG (UK) Limited. DBG (UK)’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. DBG (UK) is an indirect subsidiary of EquityCo.

IDH Acquisitions Limited (“IDH Acquisitions”) is a private limited company organised under the laws of England and Wales on 19 December 2005, with registered number 05657372 and with the name IDH Acquisitions Limited. IDH Acquisitions’ registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. IDH Acquisitions is an indirect wholly owned subsidiary of EquityCo.

IDH Group Limited (“IDHG”) is a private limited company organised under the laws of England and Wales on 19 December 2005, with registered number 05657369 and with the name IDH Group Limited. IDHG’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. IDHG is an indirect wholly owned subsidiary of EquityCo.

Integrated Dental Holdings Limited is a private limited company organised under the laws of England and Wales on 17 January 1996, with registered number 03147164 and with the name Integrated Dental Holdings Limited. Integrated Dental Holdings Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. Integrated Dental Holdings Limited is an indirect wholly owned subsidiary of EquityCo.

DBG Acquisitions Limited (“DBG Acquisitions”) is a private limited company organised under the laws of England and Wales on 9 January 2010, with registered number 07121047 and with the name DBG Acquisitions Limited. DBG Acquisitions’ registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. DBG Acquisitions is an indirect subsidiary of EquityCo.

DBG Topco Limited (“DBG Topco”) is a private limited company organised under the laws of England and Wales on 18 January 2010, with registered number 07128317 and with the name DBG Topco Limited. DBG Topco’s registered office is at Europa House, Europa Trading Estate,

Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. DBG Topco is an indirect subsidiary of EquityCo.

Healthcare Buying Group Limited (“HBGL”) is a private limited company organised under the laws of England and Wales on 25 March 2013, with registered number 07496756 and with the name Healthcare Buying Group Limited. HBGL’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. HBGL is an indirect subsidiary of EquityCo.

The Dental Directory Limited (“The Dental Directory”) is a private limited company organised under the laws of England and Wales on 19 March 2014, with registered number 08948625 and with the name Broomco (4270) Limited. The Dental Directory’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. The Dental Directory is an indirect subsidiary of EquityCo.

Denticare Limited is a private limited company organised under the laws of England and Wales on 31 October 1953, with registered number 00525206 and with the name Denticare Limited. Denticare Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. Denticare Limited is an indirect subsidiary of EquityCo.

Med-FX Limited is a private limited company organised under the laws of England and Wales on 1 February 2006, with registered number 05693661 and with the name Med-FX Ltd. Med-FX Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. Med-FX Limited is an indirect subsidiary of EquityCo.

Denture Excellence Limited is a private limited company organised under the laws of England and Wales on 29 November 1996, with registered number 03285380 and with the name Denture Excellence Limited. Denture Excellence’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. Denture Excellence is an indirect subsidiary of EquityCo.

Orthodontic Centre (UK) Limited is a private limited company organised under the laws of England and Wales on 6 February 2003, with registered number 04658389 and with the name Orthodontic Centre (UK) Limited. Orthodontic Centre (UK Limited)’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. Orthodontic Centre (UK Limited) is an indirect subsidiary of EquityCo.

The Crescent Specialist Dental Centre Limited is a private limited company organised under the laws of England and Wales on 9 January 2007, with registered number 06045924 and with the name The Crescent Specialist Dental Centre Ltd. The Crescent Specialist Dental Centre Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. The Crescent Specialist Dental Centre Limited is an indirect subsidiary of EquityCo.

Romford Orthodontics Centre Limited is a private limited company organised under the laws of England and Wales on 16 November 2009, with registered number 07077945 and with the name Romford Orthodontics Centre Limited. Romford Orthodontics Centre Limited’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG. Romford Orthodontics Centre Limited is an indirect subsidiary of EquityCo.

H M Logistics Limited (“HML”) is a private limited company organised under the laws of England and Wales on 11 January 2012, with registered number 07905936 and with the name Sharksfin Holdings Limited. HML’s registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. HML is an indirect subsidiary of EquityCo.

Billericay Dental Supply Co. Limited (“BDS”) is a private limited company organised under the laws of England and Wales on 16 January 1975, with registered number 01196676 and with the

name Billericay Dental Supply Co. Limited. BDS's registered office is at Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG, United Kingdom. BDS is an indirect subsidiary of EquityCo.

Resolutions, authorisations and approvals by virtue of which the Notes have been issued

The Issuer and the Guarantors have obtained all necessary consents, approvals and authorisations (if any) in connection with the issue of the Notes. The issue of the Notes was approved by resolutions of the board of directors of the Issuer passed on 22 July 2016.

Material adverse change in the Issuer's financial position

There has been no material adverse changes to: (a) the Issuer; or (b) the Issuer's group structure; or (c) the Issuer's business or accounting policies; or (d) the financial or trading position of the Issuer, since the end of the period covered by the Issuer's last published audited financial statements.

Litigation

Except as disclosed elsewhere in this offering memorandum, neither we, the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on our results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

Post-issue reporting

Except as otherwise provided in this offering memorandum, we do not intend to provide post-issue information regarding the Notes. For as long as the Notes are listed on the Exchange and the rules of the Exchange shall so require, the organisational documents of the Issuer, along with the Indenture, the Guarantees, the Intercreditor Agreement and the financial statements and related notes included herein will be available for inspection at the office of the Paying Agent during normal business hours.

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Turnstone Midco 2 Limited
Consolidated financial statements
Registered number 07496754
Year ended 31 March 2016

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Independent auditors' report to the members of Turnstone Midco 2 Limited

Report on the financial statements

Our opinion

In our opinion:

- Turnstone Midco 2 Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and parent company balance sheets as at 31 March 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income/(expense) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the company statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

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 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit

evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Randal Casson (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

3 June 2016

Turnstone Midco 2 Limited
Consolidated income statement
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	4	565,877	534,244
Cost of sales		(307,508)	(294,877)
Gross profit		258,369	239,367
Distribution costs		(15,211)	(13,047)
Administrative expenses		(233,908)	(203,728)
Other income	9	1,919	1,791
Other gains	10	424	14
Operating profit		11,593	24,397
Analysed as			
EBITDA before non-underlying items		80,154	76,764
Amortisation of intangible assets	15	(31,647)	(29,328)
Depreciation	16	(18,750)	(16,857)
Amortisation of government grant income		154	318
Other non-underlying items	5	(18,742)	(6,514)
Foreign exchange gains	10	424	14
Operating profit		11,593	24,397
Finance costs	11	(38,660)	(40,019)
Finance income	12	1,140	105
Net finance costs		(37,520)	(39,914)
Loss before income tax		(25,927)	(15,517)
Income tax credit	13	7,813	2,881
Loss for the year		(18,114)	(12,636)
Attributable to:			
Owners of the parent		(18,008)	(12,551)
Non-controlling interests		(106)	(85)
		(18,114)	(12,636)

All activities are derived from continuing operations.

The notes on pages F-15 to F-72 form part of these financial statements.

Turnstone Midco 2 Limited
Consolidated statement of comprehensive
income/(expense)
for the year ended 31 March 2016

	<u>2016</u>	<u>2015</u>
	£'000	£'000
Loss for the year	(18,114)	(12,636)
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to the income statement</i>		
Re-measurement gain/(loss) in respect of defined benefit pension scheme ..	649	(456)
Unrecognised re-measurement movement arising from movements on defined benefit scheme in surplus to which the group has no recourse ...	(290)	116
Total comprehensive expense for the year	(17,755)	(12,976)
Attributable to:		
Owners of the parent	(17,649)	(12,891)
Non-controlling interests	(106)	(85)
	(17,755)	(12,976)

Movements above are disclosed net of income tax.

The notes on pages F-15 to F-72 form part of these financial statements.

Turnstone Midco 2 Limited
Consolidated balance sheet
at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Goodwill	15	339,020	322,515
Other intangible assets	15	453,361	453,152
Property, plant and equipment	16	99,352	89,504
Other receivables	19	958	2,462
Deferred income tax assets	26	9,731	10,467
		<u>902,422</u>	<u>878,100</u>
Current assets			
Inventories	18	20,550	22,226
Trade and other receivables	19	49,509	41,993
Current income tax		–	550
Derivative financial instruments	23	739	–
Cash and cash equivalents	21	14,942	29,116
		<u>85,740</u>	<u>93,885</u>
Assets classified as held for sale	20	440	1,979
Total assets		<u>988,602</u>	<u>973,964</u>
Equity attributable to the owners of the parent			
Share capital	27	410,961	410,961
Accumulated losses	28	(134,904)	(116,941)
		<u>276,057</u>	<u>294,020</u>
Non-controlling interest		89	(119)
Total equity		<u>276,146</u>	<u>293,901</u>

Turnstone Midco 2 Limited
Consolidated balance sheet (continued)
at 31 March 2016

	Note	2016 £'000	2015 £'000
Liabilities			
Non-current liabilities			
Borrowings	24	531,868	520,840
Other payables	22	3,186	6,488
Deferred income tax liabilities	26	51,052	54,785
Post employment benefits	31	–	414
Provisions	25	7,603	7,399
Derivative financial instruments	23	2,033	3,103
		595,742	593,029
Current liabilities			
Trade and other payables	22	114,418	85,092
Current income tax		418	30
Provisions	25	1,786	1,869
Derivative financial instruments	23	92	43
		116,714	87,034
Total liabilities		712,456	680,063
Total equity and liabilities		988,602	973,964

The notes on pages F-15 to F-72 form part of these financial statements.

The financial statements on pages F-2 to F-72 were approved by the Board of Directors on 3 June 2016 and were signed on its behalf by:

WHM Robson
Director

Turnstone Midco 2 Limited

Company balance sheet

at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Investments	17	411,011	411,011
Total assets		411,011	411,011
Equity			
Share capital	27	410,961	410,961
Accumulated losses	28	(24)	(18)
Total equity		410,937	410,943
Liabilities			
Current liabilities			
Other payables		74	68
Total equity and liabilities		411,011	411,011

The notes on pages F-15 to F-72 form part of these financial statements.

The financial statements were approved by the Board of Directors on 3 June 2016 and were signed on its behalf by:

WHM Robson
Director

Turnstone Midco 2 Limited
Consolidated statement of changes in equity
for the year ended 31 March 2016

	Share capital £'000	Accumulated losses £'000	Total equity attributable to owners of the parent £'000	Non- controlling interest £'000	Total equity £'000
Balance at 1 April 2014	410,961	(104,050)	306,911	(34)	306,877
Comprehensive expense for the year					
Total comprehensive expense for the year . . .	–	(12,891)	(12,891)	(85)	(12,976)
Balance at 31 March 2015	410,961	(116,941)	294,020	(119)	293,901
Comprehensive expense for the year					
Total comprehensive expense for the year . . .	–	(17,649)	(17,649)	(106)	(17,755)
Changes in ownership interests					
Minority interests arising/acquired through business combinations	–	(314)	(314)	314	–
Balance at 31 March 2016	410,961	(134,904)	276,057	89	276,146

The notes on pages F-15 to F-72 form part of these financial statements.

Turnstone Midco 2 Limited
Company statement of changes in equity
for the year ended 31 March 2016

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2014	410,961	(10)	410,951
Comprehensive expense for the year			
Total comprehensive expense for the year	–	(8)	(8)
Balance at 31 March 2015	410,961	(18)	410,943
Comprehensive expense for the year			
Total comprehensive income for the year	–	(6)	(6)
Balance at 31 March 2016	410,961	(24)	410,937

The notes on pages F-15 to F-72 form part of these financial statements.

Turnstone Midco 2 Limited
Consolidated cash flow statement
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	33	79,981	77,366
Income tax received/(paid)		550	(550)
Net cash inflow from operating activities		80,531	76,816
Cash flows from investing activities			
Acquisitions (net of cash acquired)		(42,909)	(113,312)
Contingent consideration paid		(935)	(723)
Purchase of property, plant and equipment		(26,868)	(25,916)
Purchase of freehold property held for sale		–	(175)
Proceeds from business and asset disposals		2,694	10,962
Government grants received		11	4
Interest received		70	76
Net cash outflow from investing activities		(67,937)	(129,084)
Cash flows from financing activities			
Drawdown of bank loans		8,500	105,000
Repayment of bank loans		–	(96,500)
Proceeds from issue of senior secured floating rate notes		–	101,250
Arrangement fees and associated professional costs		–	(1,678)
Bank and bond interest paid		(35,268)	(33,624)
Net cash (outflow)/inflow from financing activities		(26,768)	74,448
Net (decrease)/increase in cash and cash equivalents		(14,174)	22,180
Cash and cash equivalents at the start of the year		29,116	6,936
Cash and cash equivalents at the end of the year		14,942	29,116

The notes on pages F-15 to F-72 form part of these financial statements.

Company

No cash flow statement has been presented for the company as there have been no cash flows during either the current or previous financial year.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements

1 Company information

Turnstone Midco 2 Limited (the 'company') is a private 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 company is the holding company of Turnstone Bidco 1 Limited and IDH Finance Plc and their subsidiaries (collectively, the 'group'). The principal activity of the company during the year was to act as a holding company. 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 provides a range of National Health Service ('NHS') and private dental services from practices located in England, Wales, Scotland and Northern Ireland along with support services to other third party dental practices and the wider healthcare sector.

2 Accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The group's deemed transition date to IFRS is 1 April 2014. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 – First Time Adoption of International Financial Reporting Standards ('IFRS 1'). IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The group has not applied any of the optional exemptions under IFRS 1. Specifically, the group has applied IFRS 3 – Business Combinations (Revised) ('IFRS 3') to all previous business combinations, including the acquisitions of both Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011. Please refer to note 37 for further information.

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments including derivatives and contingent consideration. The consolidated financial statements are presented in Sterling (£). Sterling is the company's functional currency, being the currency of the primary economic environment in which it operates. All amounts in these financial statements are presented in thousands of pounds Sterling (£'000), unless otherwise stated.

The consolidated financial statements have been prepared on a going concern basis, which the directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the group.

The group meets its day to day working capital requirements through cash generated from operations and its borrowing facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate within the level of its current facilities. Further information on the group's available borrowing facilities can be found in note 24.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied unless otherwise stated.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

(b) Basis of consolidation

Subsidiaries

The group controls an entity when the group has power over that entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group has applied IFRS 10 – Consolidated Financial Statements ('IFRS 10') retrospectively in accordance with the transitional provisions of IFRS 10.

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.

Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the group:

The accounting policies adopted in the presentation of the consolidated historical financial information reflect the adoption of the following standards:

IFRS 12 – Disclosure of Interests in Other Entities

Amendment to IAS 1 – Presentation of Financial Statements

The above standards have been applied to each of the periods presented in these financial statements.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Standards, amendments and interpretations which are not effective or early adopted by the group:

The following new standards, interpretations and amendments, which have not been applied in these financial statements, may have an effect on the group's future financial statements:

	EU endorsement status	Effective date (periods beginning)
IFRS 9 – Financial Instruments	Not yet endorsed	1 January 2018
IFRS 15 – Revenue from Contracts With Customers	Not yet endorsed	1 January 2018
IFRS 16 – Leases	Not yet endorsed	1 January 2019

At the time of preparing these financial statements, the group is still considering the potential impact of these changes upon the consolidated financial statements.

None of the other new standards, interpretations and amendments, which have not been adopted early, are expected to have a material effect on the group's future financial statements.

(d) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency of each subsidiary or partnership using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, including realised gains and losses arising from foreign exchange forward contracts and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Unrealised gains and losses arising from derivative financial instruments used to hedge against movements in foreign exchange rates (principally foreign exchange forward contracts) are recognised in the income statement within other gains. See note 2(q).

(e) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The fair value of consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control over the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. All acquisition costs are expensed as incurred and included within administrative expenses.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised at fair value through profit or loss.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

(f) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of consideration paid on acquisition of a business over the fair value of assets, including any intangible assets identified, liabilities and contingent liabilities acquired.

Goodwill is tested for impairment at least annually. See note 2(g).

On disposal of a subsidiary, the attributable net book value of goodwill, based on relative fair value, is included in the determination of the profit or loss on disposal.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are determined by using appropriate valuation techniques (see note 3 for further details).

The significant intangible assets recognised by the group, their estimated useful economic lives and the methods used to determine the cost of intangible assets acquired through business combinations, are as follows:

Intangible asset	Estimated useful economic life	Valuation method
Contractual arrangements and relationships	20 years	Estimated discounted cash flow
Customer relationships	10-20 years	Estimated discounted cash flow
Brands and trademarks	15 years	Estimated royalty stream if the rights were to be licensed

Contractual arrangements reflect long term, fixed income, contracts with the NHS for the delivery of dentistry services. These contracts specify targeted annual volumes of units of dental activity ('UDA's') for a contracted dental practice or entity. The majority of these contracts have no fixed term and will roll over indefinitely provided that certain performance targets are achieved. The intangible assets arising from these contractual arrangements are amortised over a period of 20 years to reflect the potential for future changes to government policy in this area.

(g) Impairment of non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time in each period.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' or 'CGU'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU's. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised through the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within administrative expenses.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Fixtures, fittings and equipment: 4-10 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each accounting reference date.

(i) Inventories

Inventory is stated at the lower of cost and net realisable value (net realisable value is the price at which inventories can be sold after allowing for costs of sale).

Dental practice consumables are valued at the weighted average purchase cost during the financial year. Average purchase cost is calculated to take account of trade discounts received and transport and handling costs incurred.

Goods for resale are valued at actual cost, including the value of any trade discounts received or transport and handling costs incurred.

Provision is made for obsolete, slow moving and defective inventory.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables and is measured as the difference between carrying value and present value of estimated future cash flows. Subsequent recoveries of previously impaired trade receivables are recognised as a credit to the income statement as they are realised.

(k) Assets classified as held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, a sale is considered highly probable and the assets are available for immediate sale in their present condition. They are stated at the lower of carrying amount and fair value less costs to dispose.

Assets held for sale include freehold properties that the group has acquired as part of the acquisition of dental practices. The group only acquires these properties where necessary to facilitate the acquisition of dental practices and looks to dispose of these properties as soon as an appropriate lease and sale price can be negotiated.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

(m) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(n) Government grants

Grants received to assist with the purchase of property, plant and equipment are credited to deferred income within trade and other payables and are amortised to the income statement over a period to match the useful life of the asset acquired. Revenue grants are recognised in the income statement through administrative expenses in the financial year in which the related service or obligation is performed.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs and are subsequently amortised through the income statement over the term of the facility.

(p) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised within finance costs. Further details are provided in note 25.

(q) Derivative financial instruments

The group's activities expose it to the financial risks resulting from fluctuations in interest rates and foreign exchange rates.

The group uses derivative financial instruments (interest rate swaps) to hedge a proportion of its exposure to floating interest rate fluctuations. Foreign exchange forward contracts are used to hedge a proportion of the group's exposure to fluctuations in foreign exchange rates.

In addition, in a very small number of instances, the group has entered into option contracts with the vendors of businesses in which the group has acquired a majority shareholding in order to enable the group to acquire the remaining equity interest at a pre-determined price, or by reference to a pre-determined earnings multiple, in the future.

The group does not hedge account for any derivative financial instruments.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes. See note 30 for further details.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(s) Revenue

Revenue represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that the group has obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Revenue derived from NHS contracts in England and Wales is recognised on the volume of dental activity delivered in the financial year. Revenue from all private dental work and NHS patients in Scotland is recognised based upon 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. Revenue from the sale of goods by the group's practice services division is recognised upon despatch.

Deferred income

Where the group receives an amount upfront in respect of future income streams, the value of the receipt is amortised over the period of the contract as the services are delivered and the unexpired element is disclosed in trade and other payables as deferred income.

(t) Leases

The costs associated with operating leases are charged to the income statement on an accruals basis over the period of the lease. The benefit of any lease incentives is recognised in the income statement evenly over the period of the lease up to the lease expiry date.

(u) Net finance costs

Finance costs

Finance costs comprise interest payable on borrowings, associated transaction costs and fair value movements on hedging arrangements. Finance costs are charged to the income statement on an accruals basis using the effective interest rate method.

Finance income

Finance income comprises interest receivable on cash and cash equivalents or other funds invested. Interest income is recognised in the income statement as it accrues using the effective interest method.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

(v) Income tax

Income tax for the accounting periods presented comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable or refundable on the taxable income or loss for the year, based upon the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for on deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting of business performance to the Board of Directors and the Executive Management Team. The Executive Management team has been identified as the chief operating decision maker and consists of the Executive Directors and certain key management personnel.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

(x) Employee benefits: pension obligations

The group makes contributions to a small number of defined contribution pension schemes on behalf of its employees, including the National Employment Savings Trust ('NEST'). Contributions are recognised in the income statement on an accruals basis. 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 both of these schemes are held separately from those of the group in independently administered funds. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

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. The scheme is closed and the group currently makes no contributions in respect of current or past service. However the group funds the administration costs of the scheme which are charged to administrative expenses within the income statement as incurred. The re-measurement loss arising from the actual return on assets and changes in demographic and financial assumptions underlying the present value of scheme liabilities is taken to other comprehensive income. The group has no recourse to recover any surplus funds held by the scheme once all liabilities have been settled. Accordingly, where the scheme is in a surplus position at the balance sheet date, this surplus is not recognised as an asset within the balance sheet.

3 Critical accounting judgements and estimates

The preparation of the group's consolidated financial information under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated financial information.

(a) Critical judgements

Impairment of goodwill and other intangibles

Determining whether goodwill or other intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and other intangible assets have been allocated. The value in use calculation requires the group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. An impairment review has been performed at the reporting date and no impairment has been identified. More details, including carrying values, are included in note 15.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

3 Critical accounting judgements and estimates (continued)

Income tax

The current income tax provision directly relates to the actual tax payable on the group's profits. Assumptions and judgements are made in applying tax laws to the taxable profits in any given period in order to calculate the tax charge for that year. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined. See also note 13.

(b) Critical estimates

Valuation of intangibles acquired in business combinations

Determining the fair value of contractual arrangements and customer relationships acquired in business combinations requires estimation of the value of the cash flows related to those arrangements or relationships and a suitable discount rate in order to calculate the present value.

Determining the fair value of brands or trademarks acquired in business combinations requires estimation of the discounted royalty payments that would have to be paid to acquire the brand or trademark if it had not been acquired as part of a business combination. More details, including carrying values, are included in note 15.

Useful economic lives of intangible assets

Intangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. Useful lives are periodically reviewed for their continued appropriateness. Changes to estimates can result in changes in the carrying values and hence change the amounts charged to the income statement in particular periods which could be significant. More details, including carrying values, are included in note 15.

4 Segmental analysis

The Directors have determined the operating segments based on the operating reports reviewed by both the Board of Directors and the Executive Management Team that are used to facilitate both performance and strategic decision making. The Executive Management Team is considered to be the chief operating decision maker in accordance with the requirements of IFRS 8 – Operating Segments.

The Executive Management Team considers the business to be split into two main operating segments being patient services and practice services.

Through its patient services division, the group is the leading provider of dental services in the United Kingdom. The division owns and manages a national chain of dental practices with 672 sites at 31 March 2016 (2015: 644).

The group's practice services division, which principally comprises the 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. Sales to the patient services division are carried out on an arms length basis.

All services are provided in the United Kingdom.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

4 Segmental analysis (continued)

Year ended 31 March 2016

	Patient services <u>£'000</u>	Practice services <u>£'000</u>	Central costs, and intra- segment eliminations <u>£'000</u>	Total <u>£'000</u>
Revenue				
NHS dentistry	386,377	–	–	386,377
Private dentistry	86,356	–	–	86,356
Practice services	–	117,536	(24,392)	93,144
Total revenue	472,733	117,536	(24,392)	565,877
Gross profit	226,223	35,839	(3,693)	258,369
<i>Gross margin</i>	47.9%	30.5%		45.7%
Overheads	(158,311)	(24,598)	2,775	(180,134)
<i>Overheads as % revenue</i>	33.5%	20.9%		31.8%
Other income	1,919	–	–	1,919
EBITDA before non-underlying items . .	69,831	11,241	(918)	80,154
<i>EBITDA margin</i>	14.8%	9.6%		14.2%
Amortisation of intangible assets	(28,647)	(3,000)	–	(31,647)
Depreciation	(17,554)	(1,331)	135	(18,750)
Amortisation of government grant income	154	–	–	154
Other non-underlying items	(17,539)	(1,203)	–	(18,742)
Unrealised gains on derivative financial instruments	–	424	–	424
Segment operating profit/(loss)	6,245	6,131	(783)	11,593
Net finance costs				(37,520)
Loss before income tax				(25,927)
Segment assets	876,937	119,805	(8,140)	988,602
Segment liabilities	(155,217)	(116,932)	(440,307)	(712,456)
Additions				
Goodwill	14,673	752	–	15,425
Other intangible assets	27,218	4,915	–	32,133
Property, plant and equipment	28,077	2,429	(678)	29,828

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

4 Segmental analysis (continued)

Year ended 31 March 2015

	Patient services <u>£'000</u>	Practice services <u>£'000</u>	Central costs, and intra- segment eliminations <u>£'000</u>	Total <u>£'000</u>
Revenue				
NHS dentistry	372,992	–	–	372,992
Private dentistry	69,162	–	–	69,162
Practice services	–	112,206	(20,116)	92,090
Total revenue	442,154	112,206	(20,116)	534,244
Gross profit	212,738	31,818	(5,189)	239,367
<i>Gross margin</i>	48.1%	28.4%		44.8%
Overheads	(145,225)	(22,807)	3,638	(164,394)
<i>Overheads as % revenue</i>	32.8%	20.3%		30.8%
Other income	1,791	–	–	1,791
EBITDA before non-underlying items . .	69,304	9,011	(1,551)	76,764
<i>EBITDA margin</i>	15.7%	8.0%		14.4%
Amortisation of intangible assets	(26,532)	(2,796)	–	(29,328)
Depreciation	(15,653)	(1,270)	66	(16,857)
Amortisation of government grant income	318	–	–	318
Other non-underlying items	(4,153)	(2,361)	–	(6,514)
Unrealised gains on derivative financial instruments	–	14	–	14
Segment operating profit/(loss)	23,284	2,598	(1,485)	24,397
Net finance costs				(39,914)
Loss before income tax				(15,517)
Segment assets	860,558	119,916	(6,510)	973,964
Segment liabilities	(136,527)	(116,322)	(427,214)	(680,063)
Additions				
Goodwill	14,465	16,268	–	30,733
Other intangible assets	40,197	25,414	–	65,611
Property, plant and equipment	26,789	4,274	(635)	30,428

Revenue is analysed by category as follows:

	2016 <u>£'000</u>	2015 <u>£'000</u>
Provision of services	479,359	443,580
Sale of goods	86,518	90,664
Total revenue	565,877	534,244

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

5 Other non-underlying items

The following items, which are considered by the Directors to be non-recurring or which do not form part of the underlying trading results of the group have been charged/(credited) in arriving at operating profit.

	Group 2016 £'000	Group 2015 £'000
Restructuring costs	5,712	2,942
Rebranding costs	10,617	1,269
Acquisition related professional fees and expenses	1,937	3,921
Differences between contingent consideration paid and estimates initially recognised	(2,158)	(181)
One-off benefit from the alignment of the holiday year with the financial year end	–	(890)
Profit on disposal of freehold properties	(579)	(892)
Loss arising from practice services restructuring and disposal/closure of dental practices	2,515	9
Loss on disposal of property, plant and equipment	678	316
Expenses in respect of defined benefit pension scheme (note 31)	20	20
	18,742	6,514

Restructuring costs

Costs incurred during the years ended 31 March 2016 and 31 March 2015 principally relate to the restructuring of practice services division operations, redundancy payments to staff across both divisions, costs associated with the review of strategic options and associated legal and professional fees.

Rebranding

Costs recognised during the years ended 31 March 2016 and 31 March 2015 reflect the cost of rolling out the mydentist brand to the 418 dental practices completed at 31 March 2016 (2015: 102) and includes expenditure on signage, decoration and uniforms.

Acquisition related professional fees and expenses

The group incurs certain professional fees and expenses in respect of practice and subsidiary acquisitions.

Differences between contingent consideration paid and estimates initially recognised

During the years ended 31 March 2016 and 31 March 2015, the group settled certain contingent consideration obligations for amounts which were different to the initial fair value estimates recognised in the balance sheet. The net difference of £2,158,000 (2015: £181,000) was released to the income statement.

Profit on disposal of freehold properties

During the year, the group disposed of its freehold interest in 12 dental practices (2015: 43) under sale and lease-back arrangements.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

5 Other non-underlying items (continued)

Loss arising from practice services restructuring and disposal/closure of dental practices

During the year ended 31 March 2016, the group closed the dbg head office in Winsford and merged the administrative functions with those of The Dental Directory in Witham, creating a single support function for the practice services division. The group also closed two dental practices and merged five others, resulting in total closure related costs of £2,515,000. During the year ended 31 March 2015, the group incurred costs of £9,000 in respect of dental practices disposed of or closed in previous years.

Loss on disposal of property, plant and equipment

The loss on disposal of property, plant and equipment arose principally from assets which were scrapped following the closure or merger of dental practices.

6 Auditor's remuneration

The total remuneration payable by the group to its auditor, PricewaterhouseCoopers LLP, during the financial year is analysed below.

	2016	2015
	£'000	£'000
Audit services		
Audit of the parent company and the consolidated financial statements	6	8
Audit of the company's subsidiaries	348	376
	<u>354</u>	<u>384</u>
Other services		
Tax advisory services	40	40
Other advisory services	776	1,318
Total remuneration payable to PricewaterhouseCoopers LLP	<u>1,170</u>	<u>1,742</u>

During the year ended 31 March 2016, other advisory services relates to work conducted as part of the review of strategic options.

During the year ended 31 March 2015, other advisory services relate to financial and commercial due diligence carried out in respect of certain acquisitions and work conducted as part of the review of strategic options.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

7 Employees

The company has no employees (2015: None).

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

	Group 2016	Group 2015
	No of employees	No of employees
Business unit		
Patient services – surgery staff	4,160	3,802
Patient services – administration staff	2,601	2,480
Practice services	384	428
	7,145	6,710

The staff costs of these persons were as follows:

	Group 2016	Group 2015
	£'000	£'000
Wages and salaries	115,675	105,360
Social security costs	8,330	7,461
Other pension costs	814	796
	124,819	113,617

8 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2015: £nil).

	Group 2016	Group 2015
	£'000	£'000
Aggregate emoluments including benefits	833	1,148

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 £428,000 (2015: £594,000), which included benefits in kind of £16,000 (2015: £10,000).

9 Other income

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

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

10 Other gains

	Group 2016 £'000	Group 2015 £'000
Unrealised gains at fair value through profit or loss on foreign exchange forward contracts	741	14
Realised foreign exchange losses	(317)	–
	424	14

11 Finance costs

	Group 2016 £'000	Group 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
Bank loans and overdrafts	1,629	692
Fixed rate interest swap charges	1,683	1,716
Amortisation of issue costs of bank loans and related fees	2,805	2,787
Issue costs expensed in the year in respect of additional floating rate notes	–	1,678
Other interest payable – unwinding of discount	760	636
Syndicate charges	1,146	1,466
Change in the fair value of interest rate swap classified at fair value through profit or loss	–	1,043
Finance expense in respect of defined benefit pension scheme (note 31)	13	–
	38,660	40,019

12 Finance income

	Group 2016 £'000	Group 2015 £'000
Bank deposit interest	70	74
Finance income in respect of defined benefit pension scheme (note 31)	–	31
Change in the fair value of interest rate swap classified at fair value through profit or loss	1,070	–
	1,140	105

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

13 Income tax credit

	Group 2016 £'000	Group 2015 £'000
Current income tax		
Current income tax for the year	–	–
Total current income tax	–	–
Deferred income tax		
Origin and reversal of temporary differences	(5,121)	(3,943)
Adjustments in respect of previous years	1,942	1,062
Effect of change in income tax rate	(4,634)	–
Total deferred income tax (note 26)	(7,813)	(2,881)
Total income tax credit	(7,813)	(2,881)

The income tax charge for the financial 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:

	Group 2016 £'000	Group 2015 £'000
Loss before income tax	(25,927)	(15,517)
Loss before income tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	(5,185)	(3,103)
Effects of:		
Expenses not deductible for tax	52	(554)
Utilisation of losses not previously recognised	12	(286)
Effect of rate changes on opening balances	(4,634)	–
Adjustments in respect of previous years	1,942	1,062
Total income tax credit for the year	(7,813)	(2,881)

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 and both the deferred income tax asset and liability have been re-measured accordingly.

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, however the proposed rate would have the affect of reducing the net deferred income tax liability at 31 March 2016 by approximately £2.2 million.

14 Parent company result

The company has taken advantage of Section 408(4) of the Companies Act 2006 and consequently an income statement for the company is not presented.

The company's loss of £6,000 (2015: £8,000) arises from the company's share of the group audit fee.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

15 Intangible assets

Group	<u>Goodwill</u> £'000	<u>Contractual arrangements</u> £'000	<u>Customer relationships</u> £'000	<u>Brands and trademarks</u> £'000	<u>Total</u> £'000
Cost					
At 1 April 2014.	291,782	430,002	46,447	4,495	772,726
Acquired through business combinations . . .	30,733	32,412	13,917	19,282	96,344
At 31 March 2015.	322,515	462,414	60,364	23,777	869,070
Accumulated amortisation					
At 1 April 2014.	–	54,337	9,405	333	64,075
Charge for the year	–	22,336	5,467	1,525	29,328
At 31 March 2015.	–	76,673	14,872	1,858	93,403
Net book value					
At 31 March 2015.	322,515	385,741	45,492	21,919	775,667
<hr/>					
	<u>Goodwill</u> £'000	<u>Contractual arrangements</u> £'000	<u>Customer relationships</u> £'000	<u>Brands and trademarks</u> £'000	<u>Total</u> £'000
Cost					
At 1 April 2015.	322,515	462,414	60,364	23,777	869,070
Acquired through business combinations (note 34)	17,169	22,869	7,968	1,296	48,418
Re-measurement of provisional amounts from prior year business combinations	(566)	–	–	–	(566)
Disposals	(98)	(237)	(63)	–	(398)
At 31 March 2016.	339,020	485,046	68,269	25,073	917,408
Accumulated amortisation					
At 1 April 2015.	–	76,673	14,872	1,858	93,403
Charge for the year	–	23,837	6,200	1,610	31,647
Disposals	–	(15)	(8)	–	(23)
At 31 March 2016.	–	100,495	21,064	3,468	125,027
Net book value					
At 31 March 2016.	339,020	384,551	47,205	21,605	792,381

All amortisation charges have been included within administrative expenses in the income statement.

The weighted average unamortised useful life of intangible assets at 31 March 2016 was 15.2 years (2016: 16.0 years).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

15 Intangible assets (continued)

Cash Generating Units ('CGUs')

After considering all the evidence available, including the activities from which the group generates cash inflows and how management monitors business performance, the Directors have concluded that the group's two CGUs are patient services and practice services. An analysis of the net book value of goodwill by CGU is shown below:

Net book value of goodwill by CGU

	Group 2016 £'000	Group 2015 £'000
Patient services	306,790	291,920
Practice services	32,230	30,595
	339,020	322,515

Annual impairment review

The annual impairment review for goodwill is based on an assessment of each CGUs value in use. Value in use is calculated from cash flow projections, based on budgets covering a minimum period of 12 months and a maximum period of 5 years which have been approved by the Board of Directors.

Cash flows outside of the budgeted period are estimated using the long-term growth rates stated below. Individual long-term growth rates are applied to each CGU. The long-term growth rates applied do not exceed the long-term average growth rate for the market in which the CGU operates.

The Directors have assessed the appropriate discount rate for each individual CGU, using a Weighted Average Cost of Capital ('WACC') for comparable companies operating in similar markets to the group. This 'base' WACC has been adjusted to reflect risks specific to each CGU. The discount rates applied are as shown below.

Key assumptions (which are kept under constant review by management) made during the impairment review include the level of revenue contracted with the NHS and the associated UDA contract delivery percentage, anticipated growth in private revenues and practice services revenues and the associated cost of materials and dentist fees. These assumptions have been set by reference to historical trends. The cash flow projections also take account of the expected impact from committed efficiency initiatives and the stability and maturity of the markets in which each CGU operates.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

15 Intangible assets (continued)

Key assumptions by CGU

	Group 2016	Group 2015
	%	%
Long term growth rate		
Patient services	1.50	1.50
Practice services	1.50	1.50
Discount rate		
Patient services	9.01	9.06
Practice services	10.47	10.20

At each period end an impairment review was performed by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. No impairment was considered necessary. There have been no significant changes in the period subsequent to the review.

As part of the impairment review, management have considered the impact upon the value in use calculations from a range of sensitivities to the key assumptions. There is no reasonably possible change in assumptions that would lead to an impairment being recognised. Management have calculated the value in use for the patient services division based upon the group's UDA delivery percentage of 92.4% for the year ended 31 March 2016, however this is below the group's long term trend of approximately 96%. A change of 0.25% in the assumed WACC changes the calculated value in use by approximately £31 million.

For intangible assets with finite useful lives, the directors have considered whether any indicators of impairment of these assets were present at each balance sheet date. No indicators of impairment have been identified.

Company

The company does not own any intangible assets (2015: none).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

16 Property, plant and equipment

Group

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2014	111,623
Acquired through business combinations	5,948
Additions	24,480
Disposals	(1,061)
At 31 March 2015	140,990
Accumulated depreciation	
At 1 April 2014	35,331
Charge for the year	16,857
Disposals	(702)
At 31 March 2015	51,486
Net book value	
At 31 March 2015	89,504

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2015	140,990
Acquired through business combinations (note 34)	2,545
Re-measurement of provisional amounts from prior year business combinations	429
Additions	26,854
Disposals	(2,435)
Impairment charge	(545)
At 31 March 2016	167,838
Accumulated depreciation	
At 1 April 2015	51,486
Charge for the year	18,750
Disposals	(1,750)
At 31 March 2016	68,486
Net book value	
At 31 March 2016	99,352

As at 31 March 2016, no assets are held under finance leases or hire purchase contracts (2015: none).

All depreciation charges have been included within administrative expenses in the income statement.

Please refer to note 24 for more information about assets pledged as security in respect of group borrowings.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

16 Property, plant and equipment (continued)

The impairment charge of £545,000 arose as part of the restructuring within the practice services division whereby the group closed the dbg head office in Winsford and merged the administrative functions with those of the Dental Directory in Witham. See note 5 for further details.

Operating lease charges of £13,758,000 (2015: £12,361,000) and £1,250,000 (2015: £1,151,000) relating to the lease of property, and vehicles, plant and equipment respectively, have been recognised within administrative expenses in the income statement.

Company

The company does not own any property, plant and equipment (2015: none).

17 Investments

Company	£'000
Investment at cost in subsidiary undertaking at 1 April 2015 and 31 March 2016	411,011

The company owns 100% of its immediate subsidiaries, Turnstone Bidco 1 Limited and IDH Finance Plc.

The cost and book value of its investment in Turnstone Bidco 1 Limited is £410,961,479 (2015:£410,961,479). The cost and book value of its investment in IDH Finance Plc is £50,000 (2015: £50,000).

The table below provides details of the company's subsidiary undertakings. All companies are indirectly owned with the exception of Turnstone Bidco 1 Limited and IDH Finance Plc. 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 PDS Dental Laboratories Leeds Limited, in which the group acquired a 90% interest in the ordinary share capital during the year and Denture Excellence Limited, in which the group holds a 90% interest in the ordinary share capital (2015: 75%). The group acquired an additional 15% interest in Denture Excellence during March 2016 for a consideration of £63,000. The group also held a 93.2% interest in Healthcare Buying Group Limited at 31 March 2015, however during the year, the group acquired the remaining 6.8% interest which it did not previously own to take its ownership to 100% as of 31 March 2016. All companies are included in the consolidation.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

17 Investments (continued)

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 Bidco 1 Limited	Non-trading	England
IDH Finance Plc.	Group financing	England
***@TheDentist Ltd	Dormant	England
1A Dental Practice Limited	Dental practices	England
Adelstone Dental Care Limited	Dental practices	England
ADP Ashford Ltd	Dental practices	England
ADP Healthcare Acquisitions Limited	Non-trading	England
***ADP Healthcare Limited	Dormant	England
ADP Healthcare Services Limited	Non-trading	England
ADP Holdings Limited	Non-trading	England
ADP No.1 Limited	Non-trading	England
***ADP Yorkshire Ltd	Dormant	England
*Aesthetic Dental Care Limited	Dental practices	England
Aestetix Limited	Dental practices	England
Alemdent Limited	Dental practices	England
*Alison Brett Dental Care LLP	Dental practices	England
A-Z Dental Holdings (Subsidiary Number 1) Limited	Dormant	England
A-Z Dental Holdings (Subsidiary Number 2) Limited	Dormant	England
A-Z Dental Holdings Limited	Non-trading	England
Billericay Dental Supply Co. Limited	Healthcare goods and services	England
Bramora Limited	Dental practices	England
***Butler and Finnigan Dental Practice Ltd	Dormant	England
Castle Hill Dental Practice Limited	Dental practices	England
*Changing Faces (West Yorkshire) Limited	Dental laboratory	England
*Chapel Road Orthodontics Limited	Dental practices	England
Church Street Dentists Limited	Dental practices	England
Clarendon Dental Practice Limited	Dental practices	England
Community Dental Centres Limited	Dental practices	England
Confident Dental Practices Limited	Dental practices	England
Cromwell Dental Practice Limited	Dental practices	England
*D and L Jordan 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 Aesthetics Limited	Dental practices	Northern Ireland
*Dental Excellence Group Limited	Non-trading	Northern Ireland
*Dental Excellence Limited	Dental practices	Northern Ireland
***Dental Health Care Limited	Dormant	England
Dental Talent Tree (Recruitment) Limited	Dental recruitment	England

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

17 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
Denticare Limited	Dental practices	England
Denticare Properties Limited	Dormant	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	Dormant	England
*DM and LJ Jordan Limited	Dental practices	England
*DM Jordan Limited	Dental practices	England
*DMJ Norwich Limited	Dental practices	England
*Dolby Medical Limited	Equipment servicing	Scotland
*Dolby Medical EBT Trustee Limited	Non-trading	Scotland
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
Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England
Du Toit and Burger Partnership Limited	Dental practices	England
Durgan and Ashworth Dental Care Limited	Dental practices	England
Euxton (No 1) Limited	Dental practices	England
Falchion Orthodontics Limited	Dental practices	England
Fallowfield (No 1) Limited	Dental practices	England
Family Dental Care Limited	Dental practices	Scotland
Ffolliot Bird Associates Limited	Dental practices	England
First Choice Dental Limited	Dental practices	England
Flagstaff Dental Clinic Limited	Dental practices	England
Fleetwood Practice Limited	Dental practices	England
***Hackremco (No. 2637) Limited	Dormant	England
*Halldent Limited	Dental practices	England
***Handpiece Express Limited	Dormant	England
*Hayle Dental 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
HM Logistics Limited	Healthcare goods and services	England
IDH 324 & 325 Ltd	Dental practices	England
IDH 331 Ltd	Dental practices	England
IDH 341 Ltd	Dental practices	England
IDH 346 Ltd	Dental practices	England
IDH 363 Limited	Dental practices	England
IDH 403 Ltd	Dental practices	England
IDH 406 Ltd	Dental practices	England
IDH 418 Ltd	Dental practices	England
IDH 437 Ltd	Dental practices	England

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

17 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
IDH 441 to 444 Ltd	Dental practices	England
IDH 449 Limited	Dental practices	England
IDH 450 Limited	Dental practices	England
IDH 474 Limited	Dental practices	England
IDH 476 Limited	Dental practices	England
IDH 477 Limited	Dental practices	England
IDH 622 Limited	Dental practices	England
IDH Acquisitions Limited	Non-trading	England
IDH Group Limited	Non-trading	England
IDH Limited	Dental practices	England
IDH Mansfield Ltd	Dental practices	England
Integrated Dental Holdings Limited	Non-trading	England
Jackro Healthcare Services Limited	Dental practices	England
KH&GW Limited	Dental practices	England
M C Dentistry Limited	Dental practices	England
Mainstone Health Limited	Dental practices	England
Manchester Orthodontists Limited	Dental practices	England
*Med-FX Limited	Distributor of facial aesthetics products	England
Mi-Tec Limited	Equipment repair	England
Mintek UK Limited	Healthcare goods and services	England
Murgelas Practice Management Limited	Dental practices	England
My Dental Holdings Limited	Non-trading	England
***MyDentist Limited	Dormant	England
Natural Management Ltd	Non-trading	England
Offerton Fold Dental Practice Ltd	Dental practices	England
Olivers Dental Studio Limited	Dental practices	England
Orthocentres Limited	Dental practices	England
*Orthodontic Centre (UK) Limited	Dental practices	England
*Orthodontic Services Limited	Dental practices	Northern Ireland
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
*PDS Dental Laboratories Leeds Limited	Dental laboratory	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 Burrridge Ltd	Dental practices	England
*Premier Dental Limited	Dental practices	England
Priory House Dental Care Limited	Dental practices	England

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

17 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
Q Dental Care Limited	Dental practices	England
***Q Dental Surgeries Limited	Dormant	England
Queensferry Dental Surgery Limited	Dental practices	England
Richmond House Practice Limited.	Dental practices	England
Richard Flanagan & Associates Limited	Dental practices	England
Romford Orthodontics Centre Limited.	Dental practices	England
S L S Dental Care Limited	Dental practices	England
Salcombe Dental Practice Limited.	Dental practices	England
Shadeshire Limited.	Non-trading	England
Silverdale Dental Care Ltd.	Dental practices	England
***Smile Dental Practices Limited	Dormant	England
South Tyneside Smiles Limited	Dental practices	England
***Speed 8599 Limited	Dormant	England
***Speed 8600 Limited	Dormant	England
SRDP Limited	Dental practices	England
*Stalbridge Dental Practice Limited	Dental practices	England
*Stunning Smiles Limited	Dental practices	Northern Ireland
TAG Medical Limited	Medical equipment and testing	England
The Bristol Endodontic Clinic Limited.	Dental practices	England
The Crescent Specialist Dental Centre Ltd	Dental practices	England
The Dental Directory Limited	Non-trading	England
The Domiciliary Dental Practice Limited	Dental practices	England
The Plains' Dental Practice Limited.	Dental practices	England
The Village Practice Ltd	Dental practices	England
The Visiting Dental Service Limited	Dental practices	England
Tully Crine Limited	Dental practices	England
Unnati Limited	Dental practices	England
***Unodent Limited	Dormant	England
***Viren Patel and Associates Limited	Dormant	England
Westhoughton (No 1) Limited.	Dental practices	England
Westpark Dental Practice Limited.	Dental practices	England
White Dental Care Limited	Dental practices	Northern Ireland
Whitecross Dental Care Limited	Dental practices	England
Whitecross Group Limited.	Non-trading	England
Whitecross Healthcare Limited	Non-trading	England
***Whitecross Supplies Limited	Dormant	England
Wishaw Cross Dental Care Limited.	Dental practices	Scotland
X-Dent Limited	Healthcare goods and services	Jersey

- * Denotes company acquired during the year ended 31 March 2016
- ** Countries of operation are England, Scotland and Wales
- *** Exempt from audit

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

17 Investments (continued)

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

Name of partnership	Name of partnership
1A Dental Practice Partnership	Hollinwood Dental Practice Partnership
1A Group Dental Practice Partnership	Horncastle Dental Practice Partnership
Abercromby Health Centre Partnership	Ingleby Meadow Dental Practice Partnership
Amit Rai and Fizan Tahir Partnership	Jefferies Reed and Associates
*Ardent Dental Care Practice Partnership	JF Scott Dental Surgeon Partnership
Armley Dental Practice Partnership	Kettering Central Dental Practice Partnership
Aspire Dental Practice Partnership	Kings Specialist Dental Practice Partnership
*Avante Dental Care Practice Partnership	Lambert Coutts & Associates Dental Practice Partnership
Avondale Dental Practice Partnership	Low Fell Dental Practice Partnership
Bank House Dental Practice	Lyme Dental Surgery Partnership
Barber Road Dental Practice Partnership	Mayo Dental Clinic Partnership
*Berwick Dental Practice Partnership	Mill Dental Practice Partnership
Bolton and Bury Dental Practice Partnership	Mostyn House Dental Practice Partnership
Brassey Avenue Dental Practice Partnership	Mount Folly Square Dental Practice Partnership
Brinsworth Lane Dental Care Partnership	Narborough Road South Dental Practice Partnership
Brixton Hill Dental Practice Partnership	Newcastle and Wallsend Dental Practice Partnership
Caldy Road Dental Practice Partnership	North Marine Road Dental Practice Partnership
Carcroft Dental Practice Partnership	Northgate Dental Health Practice Partnership
Castle View House Dental Practice Partnership	Old Brewery Yard Dental Practice Partnership
*Castlegate Dental Practice Partnership	Old Mill Lane Dental Practice Partnership
Central Dental Practice Partnership	Olivers Dental Studio Partnership
Chantry Dental Practice Partnership	Picton Road Dental Practice Partnership
Chequer Hall Dental Practice Partnership	Railway Road Dental Practice Partnership
Cherry Orchard Dental Practice Partnership	Red Rose Dental Group
Colne & Earby Dental Practice Partnership	Rhos Road Dental Practice Partnership
Cottage Dental Practice Partnership	Rhyl and Abergele Elwy Dental Partnership
Crown Dental Practice Partnership	*Ripponden Road Dental Practice Partnership
Dalton Dental Surgery Partnership	*Risley Hill Dental Centre Partnership
Deganwy Avenue Dental Practice Partnership	River Wye Dental Practice Partnership
Dividy Road Dental Practice Partnership	Saint Andrews Dental Practice Partnership
Fearnhead Dental Surgery Partnership	Severn Street Dental Practice Partnership
Feidr Fair Partnership Dental Practice	Shelldrake Drive Dental Practice Partnership
Filey Dental Care Centre Partnership	*SK Dental Staines Road Dental Practice Partnership
Finchley Dental Care Practice Partnership	Sneyd Green Dental Practice Partnership
Florence House Dental Practice Partnership	Spittal Hill Dental Surgery Practice Partnership
*Front Street Dental Practice Partnership	Stanhope Road Dental Practice Partnership
Gairloch House Dental Practice Partnership	The Abbey Parade Dental Practice Partnership
Green Lane Dental Practice Partnership	The Birley Moor Dental Practice Partnership
Hampton Court Dental Centre Partnership	The Boulevard Dental Practice Partnership
Harbour Dental Practice Partnership	The Burnby Dental Practice Partnership
Hartlepool Dental Practice Partnership	The Burnham Dental Practice Partnership
Haslingden Dental Surgery Partnership	
*Hayle Dental Practice Partnership	
Heaton Road and Blakelaw Dental Practice Partnership	
*Henfield Dental Practice Partnership	
High Street Dental Practice Partnership	

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

17 Investments (continued)

Name of partnership	Name of partnership
The Bury Dental Practice Partnership	The Nelson Street Dental Practice Partnership
The Caulfield Dental Surgery Partnership	The Newcastle Dental Care Practice Partnership
The Church House Dental Practice Partnership	The Newland Avenue and Castle Street Dental Practice Partnership
The Cornhill Dental Practice Partnership	The Peterborough Dental Practice Partnership
The Cowpen and Waterloo Dental Practice Partnership	The Peterlee Dental Practice Partnership
The Crab Tree Lane and Church Street Dental Practice Partnership	The Queen Street Dental Practice Partnership
The Crossgates Lane and Chapeltown Road Dental Practice Partnership	The Sea Road Dental Practice Partnership
The Dental Surgery Partnership	The Southwick and Whitburn Dental Practice Partnership
The Fairfield Dental Practice Partnership	The Trewergie Dental Practice Partnership
The Grainger Stockton, Birtley and Stanley Dental Practice Partnership	The Warner Street Dental Practice Partnership
The Gull Coppice Dental Practice Partnership	The White House Dental Practice Partnership
The Haverflatts Lane Dental Practice Partnership	The Yeading Lane Dental Practice Partnership
The Helston Dental Practice Partnership	Thomas Street Dental Practice Partnership
The Kenton Park Dental Practice Partnership	Tower Gardens Dental Practice Partnership
The Killingworth Dental Practice Partnership	Trinity Terrace Dental Practice Partnership
The Kings Norton Dental Practice Partnership	Tuebrook Dental Practice Partnership
The Lacey Dental Practice Partnership	VI Dental Centre Partnership
The Loddon Dental Practice Partnership	West Lodge Dental Practice Partnership
The London Road Dental Practice Partnership	Westbury Park Dental Practice Partnership
The Lyppard Dental Centre Practice Partnership	Weymouth and the Bridges Dental Practice Partnership
The Marden House Dental Practice Partnership	Whiston Village Dental Practice Partnership
	*William Shardlow Dental Practice Partnership
	Woodview Dental Health Practice Partnership

* Denotes partnership acquired during the year ended 31 March 2016

Group

The group does not own any investments (2015: none).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

18 Inventories

	Group 2016 £'000	Group 2015 £'000
Dental practice consumables	6,992	6,607
Goods for resale	13,558	15,619
	20,550	22,226

The cost of inventories recognised as an expense within cost of sales during the year amounted to £102.1 million (2015: £102.5 million).

The amount recognised within cost of sales during the year in respect of the change in the value of inventories of dental practice consumables and goods for resale was £2,975,000 (2015: credit of £141,000).

The replacement cost of inventories are not materially different to its carrying value.

Company

The company has no inventories (2015: £nil).

19 Trade and other receivables

	Group 2016 £'000	Group 2015 £'000
Trade receivables	19,292	17,631
Amounts owed by related undertakings	252	213
Other assets	4,821	4,085
Prepayments and accrued income	25,144	20,064
	49,509	41,993
Non-current		
Other assets	958	2,462

The fair value of trade and other receivables is not considered to be materially different to the carrying values, with the majority of the balance being short term in nature. Trade and other receivables are considered to be past due once they have passed their contracted due date.

Amounts owed by related undertakings comprise 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.

Other assets include funds held in ring-fenced escrow accounts for the settlement of contingent consideration obligations arising from acquisitions. Amounts included within non-current assets are due for settlement after more than one year.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

19 Trade and other receivables (continued)

Prepayments and accrued income includes amounts due from the NHS in England and Wales in respect of the group's long term fixed income contracts to deliver dentistry services.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	Group 2016 £'000	Group 2015 £'000
Sterling	49,581	43,549
Euro	886	906
	50,467	44,455

As at 31 March 2016, trade receivables of £777,000 were past due and partially impaired (2015: £922,000). A provision for impairment is established based on historical experience. The individually impaired receivables principally relate to the group's practice services division. The ageing of these receivables is as follows:

	Group 2016 £'000	Group 2015 £'000
Not overdue	64	42
One month to six months overdue	230	278
Over six months overdue	483	602
	777	922

Movements on the provision for impairment of trade receivables during the year are as follows:

	Group 2016 £'000	Group 2015 £'000
At 1 April	843	228
Acquired through business combinations	73	567
Impairment losses recognised	126	210
Amounts written off as uncollectable	(76)	(57)
Amounts collected	(26)	–
Unused amounts reversed	(332)	(105)
	608	843

The other classes within trade and other receivables do not contain any assets that are considered to be impaired.

Company

The company has no trade or other receivables (2015: £nil).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

20 Assets classified as held for sale

Assets classified as held for sale comprise freehold and long leasehold properties which have been acquired as part of dental practice acquisitions. These are actively being marketed for sale and the directors have a reasonable expectation that a sale will be completed within twelve months of the balance sheet date. All amounts are denominated in Sterling.

	Group 2016 £'000	Group 2015 £'000
Assets classified as held for sale	440	1,979

In accordance with IFRS 5 – Non-Current Assets Held For Sale And Discontinued Operations, the assets held for sale are recognised at their fair value less costs to dispose. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar properties, and is therefore within level 2 of the fair value hierarchy. Level 2 fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Company

The company has no assets classified as held for sale (2015: £nil).

21 Cash and cash equivalents

	Group 2016 £'000	Group 2015 £'000
Cash at bank and in hand	14,942	29,116

Cash deposits are principally held with institutions that hold a minimum credit rating meeting two of the following: BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's). Please also refer to note 30.

The carrying amounts of the group's cash and cash equivalents are denominated in the following currencies:

	Group 2016 £'000	Group 2015 £'000
Sterling	13,245	28,347
Euro	1,086	199
US Dollar	432	489
Other currencies	179	81
	14,942	29,116

All of the company's cash and cash equivalents are denominated in Sterling.

Company

The company has no cash and cash equivalent (2015: £nil)

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

22 Trade and other payables

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Current				
Trade payables	22,882	–	19,146	–
Amounts owed to group undertakings . . .	–	74	–	68
Accruals	79,858	–	56,782	–
Deferred income	1,271	–	1,426	–
Other taxation and social security	4,628	–	3,773	–
Contingent consideration	5,715	–	3,841	–
Government grants	64	–	124	–
	114,418	74	85,092	68
Non-current				
Contingent consideration	2,932	–	6,186	–
Government grants	254	–	302	–
	3,186	–	6,488	–

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

The fair value of the contingent consideration was estimated by assessing the probability that the performance based targets will be achieved and by discounting the probability weighted future cash flows. The fair value estimates have been calculated using a discount rate of 5% (2015: 5%). The discount rate of 5% was selected as an approximation to a 'risk free' rate of return. This is a level 3 fair value measurement (see note 30).

The fair value of the remaining financial liabilities is not considered to be materially different from their carrying values, due to the short term to maturity.

The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	Group 2016 £'000	Group 2015 £'000
Sterling	113,280	88,719
Euro	3,856	2,537
US Dollar	332	297
Other currencies	136	27
	117,604	91,580

All of the company's payables are denominated in Sterling.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

23 Derivative financial instruments

Derivative financial assets/(liabilities)

	Group 2016	Group 2015
	£'000	£'000
Current assets		
Foreign exchange forward contracts	698	–
Unquoted equity options.	41	–
	<u>739</u>	<u>–</u>
Current liabilities		
Foreign exchange forward contracts	–	(43)
Unquoted equity options.	(92)	–
	<u>(92)</u>	<u>(43)</u>
Non-current liabilities		
Interest rate swap contracts	(2,033)	(3,103)
	<u>(1,386)</u>	<u>(3,146)</u>

Fair value of foreign exchange forward contracts

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. As part of this strategy, the group routinely enters into foreign exchange forward contracts, which are negotiated in line with the group's anticipated commitments.

The fair value of the foreign exchange forward contracts is calculated as the present value of the estimated future cashflows when comparing the contracted forward rate against observable forward contract rates at the balance sheet date. This is a level 2 fair value measurement (see note 30).

Fair value of unquoted equity options

In a very small number of instances, the group has entered into option contracts with the vendors of businesses in which the group has acquired a majority shareholding in order to enable the group to acquire the remaining equity interest at a pre-determined price, or by reference to a pre-determined earnings multiple, in the future.

The fair value of unquoted equity options (which combine call options held by the group and call options written by the group) have been determined using appropriate option pricing models, including the Black Scholes model. This is a level 3 fair value measurement (see note 30).

Fair value of interest rate swap contracts

The group enters into fixed-to-floating interest rate swaps to hedge the interest rate risk arising where it has borrowed at floating rates.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

23 Derivative financial instruments (continued)

On 31 May 2011, as part of this interest rate management strategy, the group entered into two interest rate contracts to swap LIBOR for a fixed rate. One contract for a notional principal amount of £107.50m was due to mature on 30 May 2014 and interest was fixed at 2.6024%. The second contract, also for a notional principal amount of £107.50m, was due to mature on 30 May 2014 and interest was fixed at 2.6024%.

On 30 May 2013, the group cancelled the 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 principal amount of £62.50 million matures on 1 June 2017 and interest is fixed at 1.9125%. The second contract, also for a notional principal amount of £62.50 million, matures on 1 June 2017 and interest is fixed at 1.9210%.

The fair value of the interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves. This is a level 2 fair value measurement (see note 30).

Company

The company has no derivative financial instruments (2015: £nil).

24 Borrowings

	Group 2016 £'000	Group 2015 £'000
Non-current		
Senior secured, floating rate and second lien notes		
Due between two and five years	500,741	501,018
Bank loans		
Due between two and five years	39,000	30,500
Less: unamortised arrangement fees and related costs	(7,873)	(10,678)
	531,868	520,840

The directors do not consider the fair value of loans and borrowings to be materially different from their carrying amounts.

All of the group'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 group 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.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

24 Borrowings (continued)

- £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.
- £100 million Super Senior Revolving Credit Facility ('SSRCF'). £39.0 million has been drawn down against the SSRCF as at 31 March 2016 (2015: £30.5 million). Interest is payable in arrears at a rate of LIBOR plus 4% per annum.

Company

The company has no borrowings (2015: £nil).

25 Provisions

Group	Above market rental	Vacant property and dilapidations	Total
	£'000	£'000	£'000
At 1 April 2014.	5,884	4,172	10,056
Arising through business combinations.	123	432	555
Utilised in the financial year.	(1,147)	(466)	(1,613)
Unwinding of discount	243	27	270
At 31 March 2015	5,103	4,165	9,268

	Above market rental	Vacant property and dilapidations	Total
	£'000	£'000	£'000
At 1 April 2015.	5,103	4,165	9,268
Arising through business combinations (note 34).	–	170	170
Re-measurement of provisional amounts from prior year business combinations	–	(162)	(162)
Charged to the income statement	–	1,213	1,213
Utilised in the financial year.	(1,024)	(304)	(1,328)
Unwinding of discount	204	24	228
At 31 March 2016.	4,283	5,106	9,389

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

25 Provisions (continued)

	Group 2016	Group 2015
	£'000	£'000
Current	1,786	1,869
Non-current	7,603	7,399
	9,389	9,268

Above market rental

The group has a number of properties where the rentals payable are in excess of the current market rents. Where such rental contracts are acquired as part of a business combination, provision has been made to recognise the liability arising from the 'above market rental' element of these leases.

The gross provision of £5.2 million (2015: £6.2 million) has been discounted to present value using a rate of 5% (2015: 5%). The discount rate of 5% was selected as an approximation to a 'risk free' rate of return.

Vacant property and dilapidations

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. An element of the provisions have been discounted to present value in the same manner as described above for the above market rental provision.

The provisions are expected to be substantially utilised over the next five years.

Company

The company has no provisions (2015: £nil).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

26 Deferred income tax

Deferred income tax is provided in full on temporary differences using the liability method and a tax rate of 18% (2015: 20%). See also note 13. The movement on the deferred income tax account is as shown below:

	Arising on defined benefit pension obligation	Accelerated capital allowances	Arising on intangible assets	Arising on financial assets	Other temporary differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	–	10,998	(54,603)	412	169	(43,024)
Recognised in income . .	(2)	(1,083)	3,918	217	(169)	2,881
Recognised in other comprehensive income	85	–	–	–	–	85
Arising through business combinations	–	(160)	(4,100)	–	–	(4,260)
At 31 March 2015	83	9,755	(54,785)	629	–	(44,318)
Recognised in income . .	6	941	2,558	(326)	–	3,179
Change of tax rate recognised in income .	–	(976)	5,673	(63)	–	4,634
Recognised in other comprehensive income	(89)	–	–	–	–	(89)
Arising through business combinations	–	(229)	(4,498)	–	–	(4,727)
At 31 March 2016	–	9,491	(51,052)	240	–	(41,321)

The group has estimated non-trade losses of £21.6 million (2015: £21.0 million) available for carry forward against future non-trade profits. A deferred income tax asset of £3.9 million (2015: £4.2 million) in respect of these losses has not been recognised as the future recoverability is uncertain or not currently anticipated.

Deferred income tax arising on intangible assets has arisen as a result of business combinations.

Based upon its latest available budgets and forecasts, the group has a reasonable expectation that it will generate sufficient future taxable profits to recover the recognised deferred income tax assets shown above.

Net deferred income tax of approximately £5.0 million is expected to unwind to the income statement during the year ended 31 March 2017.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

26 Deferred income tax (continued)

Details of the deferred income tax assets and liabilities are as follows:

	Arising on defined benefit pension obligation	Accelerated capital allowances	Arising on intangible assets	Arising on financial assets	Other temporary differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
At 31 March 2015	83	9,755	–	629	–	10,467
At 31 March 2016	–	9,491	–	240	–	9,731
Liabilities						
At 31 March 2015	–	–	(54,785)	–	–	(54,785)
At 31 March 2016	–	–	(51,052)	–	–	(51,052)

Company

The company has no deferred income tax (2015: £nil).

27 Share capital

Group and company	Number issued	2016 £'000	Number issued	2015 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1.00	410,961,479	410,961	410,961,479	410,961

28 Reserves

The following describes the nature and purpose of each reserve within equity:

Retained earnings or accumulated losses

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

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

29 Commitments and contingencies

(a) Operating lease commitments

The group has a number of non-cancellable operating lease agreements, principally in relation to property. The majority of lease agreements would be renewable at the end of the lease period through negotiation of mutually acceptable terms with the lessor. The terms of the property leases vary, although they will typically contain provision for one or more upwards only rent reviews at intervals throughout the lease term, usually linked either to RPI or to market valuation. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Land and buildings	Group 2016 £'000	Group 2015 £'000
Within one year	13,071	12,960
Between one year and five years	47,909	47,589
After five years	67,515	66,659
	128,495	127,208

Other	Group 2016 £'000	Group 2015 £'000
Within one year	1,033	896
Between one year and five years	1,123	1,368
	2,156	2,264

(b) Contingencies

Assigned leases

Upon disposal of dental practices, the group has typically 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 dental practices have been disposed of as going concerns. 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 entered into 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 £1.8 million (2015: £1.8 million).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

30 Financial instruments

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 including 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 both the risks and adherence to limits set. 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 the NHS Regions 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 that hold a minimum credit rating meeting two of the following: 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 cash flow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. Further details of the group's bank facilities and other borrowings are set out in note 24.

Market risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income or costs. 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, due 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%). Further details are set out in note 24.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

30 Financial instruments (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.

Sensitivity analysis

Management have considered the risk of changes in interest rates upon the group's financial performance. The majority (74%; 2015: 75%) of the group's external debt is subject to fixed interest rates or is hedged through interest rate swap contracts and therefore the impact of changes to interest rates upon the group's cash flows is significantly mitigated. However a 1% increase or decrease in the rate of LIBOR would have the effect of increasing or decreasing the group's annual cash interest costs by approximately £1.3 million.

Capital management

The primary objective of the group's capital management of net debt (which includes cash and specifically excludes shareholder loan notes and redeemable preference shares) is to ensure that it maintains its capital ratios in order to support the business and maximise shareholder value. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the return of capital to shareholders or issue new shares and vary the maturity profile of its borrowings. The group monitors capital using the following key indicators:

Net debt to EBITDA

	Group 2016	Group 2015
	£'000	£'000
EBITDA before non-underlying items	80,154	76,764
Net bank and bond debt.	516,926	491,724
Net debt to EBITDA	6.45	6.41

Net bank and bond debt includes unamortised arrangement fees but excludes loan note and preference share debt.

In addition, management monitors the ratio of net debt to EBITDA adjusted to reflect the estimated annualised impact of acquisitions ('Proforma LTM EBITDA'). Since net debt reflects the consideration paid for all acquisitions, however EBITDA will not reflect the full earnings benefit from these acquisitions until the year following acquisition, management considers that this more accurately represents the net indebtedness relative to earnings.

As at 31 March 2016, the estimated ratio of net debt to Proforma LTM EBITDA was 6.09 times (2015: 5.78 times)

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

30 Financial instruments (continued)

EBITDA interest cover

	Group 2016 £'000	Group 2015 £'000
EBITDA before non-underlying items	80,154	76,764
Cash finance costs	35,082	33,875
EBITDA interest cover	2.28	2.27

Cash finance costs exclude loan note interest, preference share dividends, amortisation of transaction costs and fair value movements on interest rate swap contracts.

The group's principal loan covenant is in respect of the ratio of gross debt drawn under the SSRCF to EBITDA ('Super Senior Gross Leverage Ratio'), which is required to be less than 2.3 times. At 31 March 2016, the group comfortably complied with its loan covenants. In particular, the Super Senior Gross Leverage Ratio was 0.51 times (2015: 0.42 times).

Non-derivative financial liabilities

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2015	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	–	–	531,518	–
Trade and other payables	79,893	4,623	1,766	99
	79,893	4,623	533,284	99

At 31 March 2016	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	–	–	539,741	–
Trade and other payables	108,519	1,959	1,053	69
	108,519	1,959	540,794	69

Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

30 Financial instruments (continued)

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's financial assets and liabilities that are measured at fair value. See note 20 for additional detail on assets held for sale, note 22 for additional details on contingent consideration arrangements and see note 23 for details of the group's derivative financial instruments.

Fair value measurements	At 31 March 2016			At 31 March 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Assets held for sale	–	440	–	–	1,979	–
Derivative financial instruments	–	698	41	–	–	–
Financial liabilities						
Derivative financial instruments	–	(2,033)	(92)	–	(3,146)	–
Contingent consideration	–	–	(8,542)	–	–	(10,027)

Derivative financial liabilities and contingent consideration are measured at fair value at the end of each reporting period. A reconciliation of movements in contingent consideration has been included in the table below. Any gains or losses arising as a result of the measurement of contingent consideration are recognised through the income statement within administrative expenses.

There were no transfers between levels 1 and 2 or between levels 2 and 3 during the year (2015: none).

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

30 Financial instruments (continued)

Financial instruments in level 3

The following tables presents the changes in Level 3 financial instruments:

Contingent consideration

	Group 2016 £'000	Group 2015 £'000
At 1 April	10,027	10,109
Arising through business combinations	2,528	3,690
Short term retentions	1,041	1,045
Contingent consideration settled	(935)	(723)
Contingent consideration settled from escrow funds	(1,309)	(2,109)
Short term retentions settled	(1,079)	(2,170)
Differences between contingent consideration paid and estimates initially recognised	(2,158)	(181)
Unwinding of discount	532	366
At 31 March	8,647	10,027

Further information in respect of the valuation techniques used to determine the fair value of contingent consideration can be found within note 22.

Unquoted equity options

	Assets		Liabilities	
	Group 2016 £'000	Group 2015 £'000	Group 2016 £'000	Group 2015 £'000
	At 1 April.	–	–	–
Arising through business combinations	41	–	(92)	–
At 31 March	41	–	(92)	–

Further information in respect of the valuation techniques used to determine the fair value of unquoted equity options can be found within note 23.

31 Post employment benefits

The group makes contributions to a small number of defined contribution pension schemes on behalf of its employees, including the National Employment Savings Trust ('NEST'). The pension cost charge for the financial year represents contributions payable by the group to the schemes and amounted to £814,000 (2015: £796,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2015: £nil).

The group also operates a pension scheme providing benefits based on final pensionable pay. The scheme is closed to new members and has no active members.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

31 Post employment benefits (continued)

During the year to 31 March 2016 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 £39,000 (2015: £45,000). The group does not expect to make contributions to the scheme or for the costs of the scheme to change significantly in the next financial year.

The latest full actuarial valuation for which results are available, was carried out as at 6 April 2014 and was updated for disclosure purposes to 31 March 2015 and 31 March 2016 by a qualified independent actuary.

The significant actuarial assumptions were as follows:

	Group 2016 %	Group 2015 %
Rate of increase in pensions in payment and deferred pensions	3.10	3.20
Discount rate applied to scheme liabilities	3.80	3.10
Inflation assumption	3.10	3.20

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 2016 will on average live for a further 22.8 years (2015: 22.9 years) after retirement if they are male and 25.2 years (2015: 24.9 years) if they are female.

It is also assumed that members retiring in 20 years' time will on average live for a further 24.1 years (2015: 24.3 years) after retirement if they are male and 26.6 years (2015: 26.4 years) if they are female.

The amounts recognised in the balance sheet are determined as follows:

	Group 2016 £'000	Group 2015 £'000
Present value of funded obligations	(4,293)	(5,134)
Fair value of plan assets	4,638	4,720
Surplus/(deficit) in the scheme	345	(414)
Less: surplus not recognised	(345)	–
Deficit recognised in the balance sheet	–	(414)

The group has no recourse to recover any surplus funds held by the scheme once all liabilities have been settled. Accordingly, where the scheme is in a surplus position at the balance sheet date, this surplus is not recognised as an asset within the balance sheet.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

31 Post employment benefits (continued)

The movement in the surplus/(deficit) (prior to de-recognition of any surplus) is as follows:

	2016			2015		
	Present value of funded obligations	Fair value of plan assets	Surplus/(deficit)	Present value of funded obligations	Fair value of plan assets	Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	(5,134)	4,720	(414)	(4,287)	4,432	145
Scheme expenses paid out	–	(20)	(20)	(20)	–	(20)
Interest (expense)/income	(158)	145	(13)	(174)	205	31
	(158)	125	(33)	(194)	205	11
Re-measurement:						
Return on plan assets excluding interest income	–	(129)	(129)	–	393	393
Re-measurement gain from changes in demographic assumptions	232	–	232	61	–	61
Re-measurement gain/(loss) from changes in financial assumptions	704	–	704	(976)	–	(976)
Experience loss	(15)	–	(15)	(48)	–	(48)
	921	(129)	792	(963)	393	(570)
Benefits paid	78	(78)	–	310	(310)	–
At 31 March	(4,293)	4,638	345	(5,134)	4,720	(414)

Plan assets are comprised as follows:

	2016		2015	
	Value	Percentage of plan assets	Value	Percentage of plan assets
	£'000	%	£'000	%
Equities	1,937	42%	2,011	42%
Bonds	2,476	53%	2,553	54%
Property	214	5%	127	3%
Cash	11	–	29	1%
Total market value of plan assets	4,638	100%	4,720	100%

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

31 Post employment benefits (continued)

The sensitivity of the of the defined benefit obligation to changes in the principal assumptions are as follows:

Assumption	Change in assumption	Change in liabilities
Discount rate.	Decrease by 0.5%	Increase by 12%
Rate of inflation	Increase by 0.5%	Increase by 5%
Life expectancy	Increase by one year	Increase by 2%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the liabilities of the Scheme.

32 Related party transactions

Transactions with entities under the control of key management personnel

During the year ended 31 March 2016, the group has entered into the following transactions with entities which are under the control of Martin Mills. During the year, Mr Mills served in the capacity of non-executive chairman of the group's practice services division. During the previous year, Mr Mills served as Managing Director of The Dental Directory following its acquisition by the group on 17 April 2014, until January 2015 when he took up his role as chairman of the practice services division. Mr Mills ceased his employment with the group with effect from 31 March 2016.

Sharksfin Holdings Limited

The group leases certain warehouse and office premises from Sharksfin Holdings Limited, a company incorporated in England and in which Mr Mills has a majority shareholding. During the year ended 31 March 2016, the rent charge in respect of these premises was £488,000 (period from 18 April 2014 to 31 March 2015: £324,000). No balance was due to or from Sharksfin Holdings Limited at 31 March 2016 (2015: £53,000 due to Sharksfin Holdings Limited).

Med-FX Limited

During the period from 1 April 2015 to 31 August 2015, the group sold goods and services with an aggregate value of £3,318,000 (net of rebates receivable) to Med-FX Limited, a company incorporated in Jersey and, then, a wholly owned subsidiary of Sharksfin Holdings Limited (period from 18 April 2014 to 31 March 2015: £7,113,000).

In addition, Med-FX recharged the group a total of £14,000 in respect of various services during the same period (period from 1 April 2014 to 31 March 2015: £24,000).

On 31 August 2015, the group acquired 100% of the ordinary share capital of Med-FX Limited from Sharksfin Holdings Limited. Therefore, from this date onwards, transactions between group companies and Med-FX Limited are exempt from disclosure in accordance with IAS 24 – Related Party Disclosures.

At 31 March 2015, £854,000 was due from Med-FX Limited and £13,000 was due to Med-FX Limited.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

32 Related party transactions (continued)

The Weavers Pension Scheme

The group leases certain warehouse premises from The Weavers Pension Scheme, a pension scheme of which Mr Mills is a trustee and beneficiary. During the year ended 31 March 2016, the rent charge in respect of these premises was £66,000 (period from 18 April 2014 to 31 March 2015: £63,000). No balance was due to or from The Weavers Pension Scheme at either 31 March 2016 or 31 March 2015.

33 Cash generated from operations

	Group 2016 £'000	Group 2015 £'000
Loss before income tax	(25,927)	(15,517)
Adjustments:		
Depreciation of property, plant and equipment	18,750	16,857
Amortisation of government grants	(154)	(318)
Amortisation of intangible assets	31,647	29,328
Finance costs	38,660	40,019
Finance income	(1,140)	(105)
Loss on business and asset disposals	2,614	(567)
Differences between contingent consideration paid and estimates initially recognised	(2,158)	(181)
Defined benefit pension scheme service cost	20	20
Net foreign exchange gains	(424)	(14)
Cash generated from operations before movements in working capital . .	61,888	69,522
Movements in working capital:		
Decrease/(increase) in inventories	2,157	(247)
(Increase)/decrease in trade and other receivables	(6,525)	3,864
Increase in trade and other payables	23,848	5,839
Decrease in provisions	(1,387)	(1,612)
Total movements in working capital	18,093	7,844
Cash generated from operations	79,981	77,366

34 Business combinations

Patient services

During the year the group's patient services division acquired the entire issued share capital of 17 companies incorporating 23 dental practices. The group also acquired the businesses of a further 11 unincorporated dental practices. The directors consider each of these acquisitions to be individually immaterial to the group having considered a range of qualitative and quantitative factors. Therefore, these acquisitions have been aggregated for disclosure purposes. Details of the companies and partnerships acquired are set out in note 17.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

34 Business combinations (continued)

	£'000
Consideration	
Cash	39,533
Contingent consideration	2,038
Total consideration	41,571
Fair value of assets and liabilities acquired	
Intangible assets	27,218
Property, plant and equipment	1,961
Assets held for sale	863
Inventories	68
Trade and other receivables	63
Trade and other payables	(2)
Current income tax	(98)
Deferred income tax	(3,843)
Provisions	(170)
Total identifiable net assets	26,060
Goodwill	15,511
Total	41,571

Included within the cash consideration are loans made by the acquiring entities to the acquired company in order to settle vendor shareholder loans of £3.4 million.

In addition to the consideration shown above, acquisition related fees and expenses of £1.3 million were incurred. All fees and expenses have been expensed to administrative expenses within the income statement and are shown separately in note 5.

The fair value of the contingent consideration was estimated by assessing the probability that the performance based targets will be achieved and by discounting the probability weighted future cash flows. The fair value estimates have been calculated using a discount rate of 7.58%. This is a level 3 fair value measurement (see note 30).

Goodwill represents additional synergies and benefits that the group expects to derive from the businesses acquired.

The fair value of trade and other receivables represents their contracted amounts.

During the year ended 31 March 2016, the above acquisitions contributed revenue of £10.4 million and EBITDA before non-underlying items of £2.5 million to the group results. If the above acquisitions had all been completed on 1 April 2016, their contribution to group revenue and EBITDA before non-underlying items would have been approximately £26.3 million and £6.3 million respectively.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

34 Business combinations (continued)

Practice services

During the year the group's practice services division acquired majority interests in the issued share capital of the companies listed below. Further details are included in note 17.

Name of acquisition	Date of acquisition	% interest in ordinary share capital acquired
Med-FX Limited.	31 August 2016	100%
PDS Dental Laboratory Leeds.	18 March 2016	90%
Changing Faces (West Yorkshire) Limited.	18 March 2016	90%*
Dolby Medical Limited	31 March 2016	100%
Dolby Medical EBT Trustee Limited.	31 March 2016	100%

* 90% indirect ownership of the issued share capital

The directors consider each of these acquisitions to be individually immaterial to the group having considered a range of qualitative and quantitative factors. Therefore, these acquisitions have been aggregated for disclosure purposes.

	£'000
Consideration	
Cash	6,497
Contingent consideration.	490
Total consideration	6,987
Fair value of assets and liabilities acquired	
Intangible assets	4,915
Property, plant and equipment	584
Inventories.	436
Trade and other receivables.	1,504
Cash and cash equivalents	1,441
Trade and other payables.	(2,377)
Current income tax.	(239)
Deferred income tax.	(884)
Derivative financial liabilities.	(51)
Total identifiable net assets	5,329
Goodwill	1,658
Total	6,987

In addition to the consideration shown above, acquisition related fees and expenses of £0.5 million were incurred. All fees and expenses have been expensed to administrative expenses within the income statement and are shown separately in note 5.

The fair value of the contingent consideration was estimated by assessing the probability that the performance based targets will be achieved and by discounting the probability weighted future cash flows. The fair value estimates have been calculated using a discount rate of 8.76%. This is a level 3 fair value measurement (see note 30).

Goodwill represents additional synergies and benefits that the group expects to derive from the businesses acquired.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

34 Business combinations (continued)

The fair value of trade and other receivables represents their contracted amounts.

During the year ended 31 March 2016, the above acquisitions contributed revenue of £5.9 million and EBITDA before non-underlying items of £0.4 million to the group results. If the above acquisitions had all been completed on 1 April 2016, their contribution to group revenue and EBITDA before non-underlying items would have been approximately £15.3 million and £1.2 million respectively.

35 Subsequent events

Since 31 March 2016, the group has acquired two dental practices.

The total consideration was £1.4 million.

36 Controlling party

The immediate parent undertaking is Turnstone Midco 1 Limited.

The results of the company and of the group are also consolidated in the financial statements of Turnstone Equityco 1 Limited. Turnstone Equityco 1 Limited is the parent undertaking of the largest group to consolidate these financial statements. No other financial statements consolidate the results of the group.

At 31 March 2016 and throughout the year, the ultimate controlling party of Turnstone Midco 2 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group.

37 Transition to IFRS

As stated in note 2 (a), these are the first Financial Statements prepared by the group in accordance with IFRS. The group's deemed transition date to IFRS is 1 April 2014.

The accounting policies described in note 2 have been applied in preparing the financial statements for the year ended 31 March 2016 along with the comparative information for the year ended 31 March 2015.

In preparing its opening IFRS balance sheet and adjusting amounts reported previously in the financial statements prepared in accordance with UK GAAP, the group has considered IFRS 1, which contains a number of voluntary and mandatory exemptions from the requirements to apply IFRS retrospectively. The group has not applied any of these optional exemptions under IFRS 1. Specifically, the group has applied IFRS 3 to all previous business combinations, including the acquisitions of both Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011.

Adjustments made in connection with the transition to IFRS

The group has made the following significant adjustments to the assets, liabilities, income and expenditure previously reported in its UK GAAP financial statements, to reflect differences in the accounting treatment under IFRS:

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

37 Transition to IFRS (continued)

(a) Identification of intangible assets:

Intangible assets acquired through business combinations have been valued using appropriate valuation techniques and the computed amounts reflected within the balance sheet. The principal effect of valuing these intangible assets is to reduce the amount of goodwill previously reported under UK GAAP. Furthermore, goodwill is not subject to amortisation under IFRS as it was under UK GAAP.

(b) Acquisitions related fees and expenses:

The group incurs certain professional fees and expenses in the course of completing business combinations. Under UK GAAP these costs were capitalised into goodwill and recognised on the balance sheet. Under IFRS, this treatment is not permitted and such expenses have been charged through the income statement. Further details of these amounts can be found in notes 5 and 34.

(c) Treatment of freehold property assets:

The group will, on occasion, acquire freehold properties as part of a business combination. The group acquires these properties solely to facilitate the acquisition of the business of one or more dental practices. The group's intention upon completion is to sell and lease back the property to a third party as soon as practicable. Accordingly, such assets have been recognised as assets held for sale within the balance sheet. Under UK GAAP these properties were recognised within tangible fixed assets.

(d) Deferred income tax:

Under IFRS, deferred income tax temporary differences are recognised in respect of all assets and liabilities that will not be deductible for taxation purposes. The resulting deferred income tax liability principally arises from the group's identified intangible assets.

(e) Derivative financial instruments:

IFRS requires the group to recognise the fair value of its interest rate hedging contracts, foreign exchange forward contracts and equity options on the balance sheet and to charge or credit any movements in the fair value of these assets through the income statement in each financial year. Under UK GAAP, the group was not required to recognise the fair value of these contracts within its financial statements.

(f) Contingent consideration:

Under IFRS, contingent consideration should be recognised at fair value at the date of acquisition, with the estimated future cashflows discounted back to their present value. In addition, any subsequent adjustments to the fair value of the consideration payable should be recognised through the income statement.

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

37 Transition to IFRS (continued)

(g) Employee benefits:

Under IFRS, wages, salaries and other short term employee benefits must be recognised in the income statement only when an employee has rendered the service for which they are being remunerated. The adjustment from UK GAAP reflects the value of employee holiday entitlement accrued but not utilised at each balance sheet date. During the year ended 31 March 2015, the group aligned the holiday year with the financial year end resulting in a non-recurring benefit in that year.

(h) Presentation of current and non-current assets:

Under IFRS, assets and liabilities are split between the elements that are considered to be current and the elements considered to be non-current. This leads to some presentational differences when compared to UK GAAP.

Reconciliations to IFRS of the results previously reported under UK GAAP are provided on the following pages.

Consolidated income statement For the year ended 31 March 2015

	UK GAAP	Intangible assets arising on business combinations note (a)	Acquisition related fees and expenses note (b)	Treatment of freehold property assets note (c)	Deferred income tax note (d)	Derivative financial instruments note (e)	Contingent consideration note (f)	Employee benefits note (g)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	534,244	-	-	-	-	-	-	-	534,244
Cost of sales	(294,877)	-	-	-	-	-	-	-	(294,877)
Gross profit	239,367	-	-	-	-	-	-	-	239,367
Distribution costs	(13,047)	-	-	-	-	-	-	-	(13,047)
Administrative expenses	(210,851)	9,290	(3,921)	683	-	-	181	890	(203,728)
Other income	1,791	-	-	-	-	-	-	-	1,791
Other gains	-	-	-	-	-	14	-	-	14
Operating profit	17,260	9,290	(3,921)	683	-	14	181	890	24,397
Analysed as									
EBITDA	76,764	-	-	-	-	-	-	-	76,764
Amortisation of intangible assets	(38,618)	9,290	-	-	-	-	-	-	(29,328)
Depreciation	(16,973)	-	-	116	-	-	-	-	(16,857)
Amortisation of government grants	318	-	-	-	-	-	-	-	318
Other non-underlying items	(4,231)	-	(3,921)	567	-	-	181	890	(6,514)
Foreign exchange gains	-	-	-	-	-	14	-	-	14
Operating profit	17,260	9,290	(3,921)	683	-	14	181	890	24,397
Gains on business and asset disposals	1,352	-	-	(1,352)	-	-	-	-	-
Finance costs	(38,610)	-	-	-	-	(1,043)	(366)	-	(40,019)
Finance income	105	-	-	-	-	-	-	-	105
Net finance costs	(38,505)	-	-	-	-	(1,043)	(366)	-	(39,914)
Loss before income tax	(19,893)	9,290	(3,921)	(669)	-	(1,029)	(185)	890	(15,517)
Income tax (charge)/credit	(621)	-	-	-	3,502	-	-	-	2,881
Loss for the year	(20,514)	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	(12,636)
Attributable to:									
Owners of the parent	(20,429)	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	(12,551)
Non-controlling interests	(85)	-	-	-	-	-	-	-	(85)
	(20,514)	9,290	(3,921)	(669)	3,502	(1,029)	(185)	890	(12,636)

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

37 Transition to IFRS (continued)

Consolidated balance sheet At 1 April 2014

	UK GAAP	Intangible assets arising on business combinations note (a)	Acquisition related fees and expenses note (b)	Treatment of freehold property assets note (c)	Deferred income tax note (d)	Derivative financial instruments note (e)	Contingent consideration note (f)	Employee benefits note (g)	Current/non-current classification note (h)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets										
Non-current assets										
Goodwill	614,834	(390,943)	(12,116)	(584)	80,927	–	(973)	637	–	291,782
Other intangible assets	–	416,869	–	–	–	–	–	–	–	416,869
Property, plant and equipment	83,268	–	–	(6,976)	–	–	–	–	–	76,292
Other receivables	–	–	–	–	–	–	–	–	3,966	3,966
Deferred income tax assets	9,517	–	–	–	2,062	–	–	–	–	11,579
	707,619	25,926	(12,116)	(7,560)	82,989	–	(973)	637	3,966	800,488
Current assets										
Inventories	7,573	(105)	–	–	–	–	–	–	–	7,468
Trade and other receivables	35,255	(96)	–	–	–	–	–	–	(3,966)	31,193
Current income tax	135	–	–	–	–	–	–	–	–	135
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–
Cash and cash equivalents	6,936	–	–	–	–	–	–	–	–	6,936
	49,899	(201)	–	–	–	–	–	–	(3,966)	45,732
Assets classified as held for sale	–	–	–	7,754	–	–	–	–	–	7,754
Total assets	757,518	25,725	(12,116)	194	82,989	–	(973)	637	–	853,974
Equity attributable to the owners of the parent										
Share capital	410,961	–	–	–	–	–	–	–	–	410,961
Accumulated losses	(143,284)	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	–	(104,050)
	267,677	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	–	306,911
Non-controlling interest	(34)	–	–	–	–	–	–	–	–	(34)
Total equity	267,643	25,336	(12,116)	194	28,386	(2,060)	(253)	(253)	–	306,877

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

37 Transition to IFRS (continued)

	UK GAAP	Intangible assets arising on business combinations note (a)	Acquisition related fees and expenses note (b)	Treatment of freehold property assets note (c)	Deferred income tax note (d)	Derivative financial instruments note (e)	Contingent consideration note (f)	Employee benefits note (g)	Current/ non-current classification note (h)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities										
Non-current liabilities										
Borrowings	408,535	-	-	-	-	-	-	-	-	408,535
Other payables	5,878	-	-	-	-	-	(720)	-	(85)	5,073
Deferred income tax liabilities	-	-	-	-	54,603	-	-	-	-	54,603
Post employment benefits	-	-	-	-	-	-	-	-	-	-
Provisions	10,217	(161)	-	-	-	-	-	-	(1,854)	8,202
Derivative financial instruments	-	-	-	-	-	2,060	-	-	-	2,060
	424,630	(161)	-	-	54,603	2,060	(720)	-	(1,939)	478,473
Current liabilities										
Trade and other payables	65,048	542	-	-	-	-	-	890	85	66,565
Current income tax	197	8	-	-	-	-	-	-	-	205
Provisions	-	-	-	-	-	-	-	-	1,854	1,854
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
	65,245	550	-	-	-	-	-	890	1,939	68,624
Total liabilities	489,875	389	-	-	54,603	2,060	(720)	890	-	547,097
Total equity and liabilities	757,518	25,725	(12,116)	194	82,989	-	(973)	637	-	853,974

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

37 Transition to IFRS (continued)

Consolidated balance sheet At 31 March 2015

	UK GAAP	Intangible assets arising on business combinations note (a)	Acquisition related fees and expenses note (b)	Treatment of freehold property assets note (c)	Deferred income tax note (d)	Derivative financial instruments note (e)	Contingent consideration note (f)	Employee benefits note (g)	Current/non-current classification note (h)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets										
Non-current assets										
Goodwill	675,039	(418,525)	(16,037)	(584)	85,026	57	(3,098)	637	-	322,515
Other intangible assets	-	453,152	-	-	-	-	-	-	-	453,152
Property, plant and equipment	91,374	-	-	(1,870)	-	-	-	-	-	89,504
Other receivables	-	-	-	-	-	-	-	-	2,462	2,462
Deferred income tax assets	8,737	-	-	-	1,730	-	-	-	-	10,467
	775,150	34,627	(16,037)	(2,454)	86,756	57	(3,098)	637	2,462	878,100
Current assets										
Inventories	22,226	-	-	-	-	-	-	-	-	22,226
Trade and other receivables	44,455	-	-	-	-	-	-	-	(2,462)	41,993
Current income tax	550	-	-	-	-	-	-	-	-	550
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	29,116	-	-	-	-	-	-	-	-	29,116
	96,347	-	-	-	-	-	-	-	(2,462)	93,885
Assets classified as held for sale	-	-	-	1,979	-	-	-	-	-	1,979
Total assets	871,497	34,627	(16,037)	(475)	86,756	57	(3,098)	637	-	973,964
Equity attributable to the owners of the parent										
Share capital	410,961	-	-	-	-	-	-	-	-	410,961
Accumulated losses	(164,053)	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	(116,941)
	246,908	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	294,020
Non-controlling interest	(119)	-	-	-	-	-	-	-	-	(119)
Total equity	246,789	34,627	(16,037)	(475)	31,888	(3,089)	(439)	637	-	293,901

Turnstone Midco 2 Limited

Notes to the consolidated financial statements (continued)

37 Transition to IFRS (continued)

	UK GAAP	Intangible assets arising on business combinations note (a)	Acquisition related fees and expenses note (b)	Treatment of freehold property assets note (c)	Deferred income tax note (d)	Derivative financial instruments note (e)	Contingent consideration note (f)	Employee benefits note (g)	Current/ non-current classification note (h)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities										
Non-current liabilities										
Borrowings	520,840	-	-	-	-	-	-	-	-	520,840
Other payables	7,421	-	-	-	-	-	(2,659)	-	1,726	6,488
Deferred income tax liabilities	-	-	-	-	54,785	-	-	-	-	54,785
Post employment benefits	331	-	-	-	83	-	-	-	-	414
Provisions	9,268	-	-	-	-	-	-	-	(1,869)	7,399
Derivative financial instruments	-	-	-	-	-	3,103	-	-	-	3,103
	537,860	-	-	-	54,868	3,103	(2,659)	-	(143)	593,029
Current liabilities										
Trade and other payables	86,818	-	-	-	-	-	-	-	(1,726)	85,092
Current income tax	30	-	-	-	-	-	-	-	-	30
Provisions	-	-	-	-	-	-	-	-	1,869	1,869
Derivative financial instruments	-	-	-	-	-	43	-	-	-	43
	86,848	-	-	-	-	43	-	-	143	87,034
Total liabilities	624,708	-	-	-	54,868	3,146	(2,659)	-	-	680,063
Total equity and liabilities	871,497	34,627	(16,037)	(475)	86,756	57	(3,098)	637	-	973,964

Turnstone Midco 2 Limited
Consolidated financial statements
Registered number 07496754
Year ended 31 March 2015

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Independent auditors' report to the members of Turnstone Midco 2 Limited

Report on the financial statements

Our opinion

In our opinion, Turnstone Midco 2 Limited's group financial statements and company financial statements ('the financial statements'):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2015 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Turnstone Midco 2 Limited's financial statements comprise:

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Martin Heath (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

28 May 2015

Turnstone Midco 2 Limited
Consolidated profit and loss account
for the year ended 31 March 2015

	Note	2015			2014
		Acquisitions	Continuing operations	Total	Total
		£'000	£'000	£'000	£'000
Turnover	2	102,311	431,933	534,244	407,511
Cost of sales		(71,501)	(223,376)	(294,877)	(210,849)
Gross profit		30,810	208,557	239,367	196,662
Other operating income		79	1,712	1,791	1,666
Administrative expenses		(28,836)	(195,062)	(223,898)	(179,756)
Operating profit	3	2,053	15,207	17,260	18,572
Analysed as					
EBITDA before exceptional items		9,607	67,157	76,764	67,777
Depreciation		(1,341)	(15,632)	(16,973)	(13,623)
Amortisation of goodwill		(5,436)	(33,182)	(38,618)	(33,989)
Amortisation of grant income		3	315	318	510
Service cost in respect of defined benefit pension scheme	24	–	(20)	(20)	–
Exceptional items – restructuring costs	3	(780)	(2,162)	(2,942)	(2,103)
Exceptional items – rebranding costs	3	–	(1,269)	(1,269)	–
Operating profit		2,053	15,207	17,260	18,572
Profit/(loss) on disposal of assets	6			1,352	(442)
Profit on ordinary activities before interest and taxation				18,612	18,130
Interest receivable and similar income	7			105	67
Interest payable and similar charges	7			(38,610)	(54,253)
Loss on ordinary activities before taxation				(19,893)	(36,056)
Tax on loss on ordinary activities	8			(621)	1,980
Loss on ordinary activities after taxation				(20,514)	(34,076)
Equity minority interests				85	(50)
Loss for the financial year	20			(20,429)	(34,126)

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 F-83 to F-115 form part of these financial statements.

Turnstone Midco 2 Limited
**Consolidated statement of total recognised
gains and losses**
for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Loss for the financial year		(20,429)	(34,126)
Actuarial (loss)/gain in respect of defined benefit pension scheme	24	(570)	50
Unrecognised actuarial movement arising on defined benefit scheme in surplus to which the group has no recourse		–	(50)
Reversal of previously unrecognised defined benefit pension scheme asset	24	145	–
Deferred tax movement in respect of defined benefit pension scheme	14	85	–
Total recognised loss for the year		(20,769)	(34,126)

The notes on pages F-83 to F-115 form part of these financial statements.

Turnstone Midco 2 Limited
Consolidated balance sheet
at 31 March 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		675,039		614,834
Tangible assets	11		91,374		83,268
			<u>766,413</u>		<u>698,102</u>
Current assets					
Stock	13	22,226		7,573	
Debtors	14	53,742		44,907	
Cash at bank and in hand		29,116		6,936	
		<u>105,084</u>		<u>59,416</u>	
Total assets			<u>871,497</u>		<u>757,518</u>
Capital and reserves					
Called up share capital	19	410,961		410,961	
Profit and loss account	20	(164,053)		(143,284)	
Total shareholders' funds	21		246,908		267,677
Minority interest			(119)		(34)
Total capital employed			246,789		267,643
Creditors: amounts falling due within one year	15		86,848		65,245
Non-current liabilities					
Creditors: amounts falling due after more than one year	16		528,261		414,413
Provisions for liabilities and charges	18		9,268		10,217
Defined benefit pension scheme liability	24		331		–
			<u>537,860</u>		<u>424,630</u>
Total equity and liabilities			871,497		757,518

The notes on pages F-83 to F-115 form part of these financial statements.

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

WHM Robson
Director

Turnstone Midco 2 Limited
Company balance sheet
at 31 March 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	12		411,011		411,011
Current assets					
Debtors.	14		–		–
Total assets			411,011		411,011
Capital and reserves					
Called up share capital	19	410,961		410,961	
Profit and loss account	20	(18)		(10)	
Total shareholders' funds	21		410,943		410,951
Creditors: amounts falling due within one year	15		68		60
Total equity and liabilities			411,011		411,011

The notes on pages F-83 to F-115 form part of these financial statements.

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

WHM Robson
Director

Turnstone Midco 2 Limited
Consolidated cash flow statement
for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	25	81,288	54,765
Returns on investments and servicing of finance	26	(35,227)	(41,422)
Net cash inflow after returns on investment & servicing of finance		46,061	13,343
Taxation		(550)	245
Capital expenditure	26	(15,125)	(23,535)
Acquisitions and disposals	26	(117,956)	(93,554)
Net cash outflow before financing		(87,570)	(103,501)
Financing	26	109,750	68,034
Increase/(decrease) in cash in the financial year	28	22,180	(35,467)

The notes on pages F-83 to F-115 form part of these financial statements.

Turnstone Midco 2 Limited

Notes to the financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006.

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

Basis of consolidation

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

Partnerships

Certain members of the group management team act as partners on behalf of group companies in a number of dental practice partnerships. These partnerships are held on trust on behalf of a number of group companies. All profits arising from partnership activity are transferred to a group trading company.

As a result, the group considers that it has control of these partnerships and consequently the results of the partnerships are consolidated into the group's financial statements. The partnerships are accounted for in accordance with the group's accounting policies.

Turnover

Turnover represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that the group has obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Turnover derived from NHS contracts in England and Wales is recognised on the volume of dental activity delivered in the financial year. Turnover from all private dental work and NHS patients in Scotland is recognised on the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment.

Foreign currency transactions

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Stock

Stock is stated at the lower of cost and net realisable value (net realisable value is the price at which stocks can be sold after allowing for costs of realisation).

Dental practice consumables are valued at the weighted average purchase cost during the financial year. Average purchase cost is calculated to take account of any trade discounts received and transport and handling costs incurred.

Goods for resale are valued at actual cost, including the value of any trade discounts received or transport and handling costs incurred.

Provision is made for obsolete, slow moving and defective stock.

Taxation

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash

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

Leases

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

Pensions

The group makes contributions to a small number of defined contribution pension schemes on behalf of its employees, including the National Employment Savings Trust ('NEST'). Contributions are recognised in the profit and loss account in the accounting period to which they relate. In addition, the group also operates a stakeholder defined contribution pension scheme, to which the group makes no contributions on behalf of its employees. The assets of these schemes are held separately from those of the group in independently administered funds.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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

The group has no recourse to recover any surplus funds held by the scheme once all liabilities have been settled. Accordingly, where the scheme is in a surplus position at the balance sheet date, this surplus is not recognised as an asset within the balance sheet.

Government grants

Grants received to assist with the purchase of tangible fixed assets are credited to deferred income and are amortised over a period to match the life of the asset acquired. Revenue grants are recognised in the profit and loss account in the financial year in which they are received.

Provisions

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

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

Issue costs on bank loans and related fees

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

Minority interests

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

2 Segmental analysis

The group operates within two distinct business units.

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

Notes to the financial statements (continued)

2 Segmental analysis (continued)

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

All services are provided in the United Kingdom.

	Turnover		Profit/(loss) before taxation	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Patient services	442,257	400,587	15,502	18,505
Practice services	111,558	12,109	3,228	377
Central eliminations	(19,571)	(5,185)	(1,470)	(310)
	534,244	407,511	17,260	18,572
Profit/(loss) on disposal of assets			1,352	(442)
Net interest payable and similar charges			(38,505)	(54,186)
Total			(19,893)	(36,056)

	Net assets/(liabilities)	
	2015	2014
	£'000	£'000
Patient services	768,577	676,138
Practice services	832	350
Central eliminations	(1,780)	(310)
	767,629	676,178
Net debt (excluding liquid resources)	(520,840)	(408,535)
Total	246,789	267,643

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

3 Operating profit

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

Notes to the financial statements (continued)

3 Operating profit (continued)

Other operating income

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

Restructuring costs

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

Rebranding

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

Auditors' remuneration

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

	2015	2014
	£'000	£'000
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the company's auditors for the audit of the parent company and the consolidated financial statements	8	8
Fees payable to the company's auditors and their associates for other services:		
The audit of the company's subsidiaries	376	231
Other assurance services	–	25
	384	264

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

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

During the year ended 31 March 2015, other advisory services relate to financial and commercial due diligence carried out in respect of certain acquisitions and advisory work conducted as part of the review of strategic options.

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

4 Employees

There were no persons employed by the company.

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

	Group 2015	Group 2014
	No of employees	No of employees
Business unit		
Patient services – surgery staff	3,802	3,377
Patient services – administration staff	2,480	2,133
Practice services	428	112
	6,710	5,622

The staff costs of these persons were as follows:

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

5 Directors' remuneration

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

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

No directors accrued retirement benefits under money purchase or defined benefit pension schemes. Certain directors received no emoluments from the group for their services.

The aggregate of remuneration for the highest paid director was £594,000 (2014: £727,000), which included compensation for loss of office of £nil (2014: £458,000) and benefits in kind of £10,000 (2014: £7,000).

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

6 Profit/(loss) on disposal of assets

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

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

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

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

7 Interest and similar items

	Group 2015 £'000	Group 2014 £'000
<i>Interest payable and similar charges</i>		
Senior secured notes	(11,981)	(10,053)
Floating rate notes.	(11,655)	(5,817)
Second lien notes.	(6,365)	(5,340)
Bank loans and overdrafts.	(692)	(2,982)
Fixed rate interest swap charges.	(1,716)	(1,829)
Amortisation of issue costs of bank loans and related fees	(2,787)	(17,918)
Issue costs expensed in the year in respect of additional floating rate notes.	(1,678)	–
Other interest payable – unwinding of discount (note 18)	(270)	(291)
Syndicate charges.	(1,466)	(1,684)
Interest payable on loan from parent	–	(8,339)
Total interest payable and similar charges.	(38,610)	(54,253)
<i>Interest receivable and similar income</i>		
Bank deposit interest.	74	67
Finance income in respect of defined benefit pension scheme (note 24)	31	–
Total interest receivable and similar income	105	67
Net interest payable and similar items.	(38,505)	(54,186)

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

8 Tax on loss on ordinary activities

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

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

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

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

	Group 2015 £'000	Group 2014 £'000
Loss on ordinary activities before taxation	(19,893)	(36,056)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	(4,178)	(8,293)
Effects of:		
Capital allowances (in excess of)/less than depreciation	(676)	2,699
Expenses not deductible for tax purposes	5,100	5,563
Unrelieved tax losses	–	436
Utilisation of brought forward losses	(286)	(106)
Other short term timing differences	40	(299)
Current tax charge for the year (note 8(a))	–	–

Factors affecting current and future tax charges

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

9 Parent company result

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

The company's loss of £8,000 (2014: £8,000) arises from interest on loans to group undertakings, partially offset by the company's share of the group audit fee.

10 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2014.	704,246
Practice acquisitions (note 29)	17,449
Subsidiary acquisitions (note 29)	80,926
Fair value adjustments	448
At 31 March 2015	803,069
Accumulated amortisation	
At 1 April 2014.	89,412
Charge for the year.	38,618
At 31 March 2015	128,030
Net book value	
At 31 March 2015	675,039
At 31 March 2014	614,834

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

Turnstone Midco 2 Limited

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 2014	6,605	2,647	109,538	118,790
Acquisitions (note 29)	4,086	–	5,948	10,034
Additions	175	–	24,480	24,655
Disposals	(9,152)	(305)	(1,061)	(10,518)
At 31 March 2015	1,714	2,342	138,905	142,961
Accumulated depreciation				
At 1 April 2014	91	829	34,602	35,522
Charge for the year	83	33	16,857	16,973
Disposals	(150)	(56)	(702)	(908)
At 31 March 2015	24	806	50,757	51,587
Net book value				
At 31 March 2015	1,690	1,536	88,148	91,374
At 31 March 2014	6,514	1,818	74,936	83,268

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

Company

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

12 Fixed asset investments

Company	£'000
Investments at cost in subsidiary undertaking at 1 April 2014 and 31 March 2015	411,011

The company owns 100% of its immediate subsidiaries, Turnstone Bidco 1 Limited and IDH Finance Plc.

The cost and book value of its investment in Turnstone Bidco 1 Limited is £410,961,479 (2014: £410,961,479). The cost and book value of its investment in IDH Finance Plc is £50,000 (2014: £50,000).

The table below provides details of the company's subsidiary undertakings. All companies are indirectly owned with the exception of Turnstone Bidco 1 Limited and IDH Finance Plc. All of the non-trading entities are holding companies for investments in other group companies.

The group holds 100% of the ordinary share capital of all of the companies listed, with the exception of Healthcare Buying Group Limited, in which the group holds 93.2% of the ordinary share capital (2014: 92.6%) and Denture Excellence Limited, in which the group holds 75% of the ordinary share capital (2014: 75%). All companies are included in the consolidation.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

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 Bidco 1 Limited	Non-trading	England
IDH Finance Plc.	Group financing	England
@TheDentist Ltd.	Dormant	England
1A Dental Practice Limited	Dental practices	England
Adelstone Dental Care Limited.	Dental practices	England
ADP Ashford Ltd	Dental practices	England
ADP Healthcare Acquisitions Limited	Non-trading	England
ADP Healthcare Limited	Dormant	England
ADP Healthcare Services Limited	Non-trading	England
ADP Holdings Limited	Non-trading	England
ADP No.1 Limited.	Non-trading	England
ADP Yorkshire Ltd	Dormant	England
Aesthetix Limited	Dental practices	England
Alemdent Limited	Dental practices	England
A-Z Dental Holdings (Subsidiary Number 1) Limited	Dormant	England
A-Z Dental Holdings (Subsidiary Number 2) Limited	Dormant	England
A-Z Dental Holdings Limited.	Non-trading	England
Billericay Dental Supply Co. Limited.	Healthcare goods and services	England
Bramora Limited.	Dental practices	England
Butler and Finnigan Dental Practice Ltd	Dental practices	England
Castle Hill Dental Practice Limited	Dental practices	England
Church Street Dentists Limited	Dental practices	England
Clarendon Dental Practice Limited	Dental practices	England
Community Dental Centres Limited	Dental practices	England
Confident Dental Practices Limited	Dental practices	England
Cromwell Dental Practice Limited.	Dental practices	England
DBG (UK) Limited.	Healthcare goods and services	England
DBG Acquisitions Limited	Non-trading	England
DBG Subsidiary Limited	Dormant	England
DBG Topco Limited.	Non-trading	England
Dental Health Care Limited.	Dormant	England
Dental Talent Tree (Recruitment) Limited	Dental recruitment	England
Denticare Limited.	Dental practices	England
Denticare Properties Limited.	Property investment	England
Denture Excellence Limited.	Dental practices	England
DH Dental Holdings Limited	Non-trading	England
Diverse Acquisitions Limited	Non-trading	England
Diverse Holdings Limited.	Non-trading	England
Diverse Property Investments Limited	Non-trading	England
Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
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
Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England
Du Toit and Burger Partnership Limited	Dental practices	England
Durgan and Ashworth Dental Care Limited	Dental practices	England
Euxton (No 1) Limited	Dental practices	England
Falchion Orthodontics Limited	Dental practices	England
Fallowfield (No 1) Limited	Dental practices	England
Family Dental Care Limited	Dental practices	Scotland
Ffolliot Bird Associates Limited	Dental practices	England
First Choice Dental Limited	Dental practices	England
Flagstaff Dental Clinic Limited	Dental practices	England
Fleetwood Practice Limited	Dental practices	England
Hackremco (No. 2637) Limited	Dormant	England
Handpiece Express Limited	Dormant	England
Healthcare Buying Group Limited	Non-trading	England
Hessle Grange Dental Care Limited	Dental practices	England
Hillcrest Ionian Limited	Dental practices	England
Hirst and O'Donnell Ltd.	Dental practices	England
HM Logistics Limited	Healthcare goods and services	England
IDH 324 & 325 Ltd	Dental practices	England
IDH 331 Ltd.	Dental practices	England
IDH 341 Ltd.	Dental practices	England
IDH 346 Ltd.	Dental practices	England
IDH 363 Limited	Dental practices	England
IDH 403 Ltd.	Dental practices	England
IDH 406 Ltd.	Dental practices	England
IDH 418 Ltd.	Dental practices	England
IDH 437 Ltd.	Dental practices	England
IDH 441 to 444 Ltd.	Dental practices	England
IDH 449 Limited	Dental practices	England
IDH 450 Limited	Dental practices	England
IDH 474 Limited	Dental practices	England
IDH 476 Limited	Dental practices	England
IDH 477 Limited	Dental practices	England
IDH 622 Limited	Dental practices	England
IDH Acquisitions Limited	Non-trading	England
IDH Group Limited	Non-trading	England
IDH Limited.	Dental practices	England
IDH Mansfield Ltd	Dental practices	England
Integrated Dental Holdings Limited.	Non-trading	England
Jackro Healthcare Services Limited.	Dental practices	England
KH&GW Limited.	Dental practices	England
M C Dentistry Limited	Dental practices	England
Mainstone Health Limited.	Dental practices	England

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
Manchester Orthodontists Limited	Dental practices	England
Mi-Tec Limited	Equipment repair	England
Mintek UK Limited	Healthcare goods and services	England
Murgelas Practice Management Limited	Dental practices	England
My Dental Holdings Limited	Dormant	England
MyDentist Limited	Dormant	England
Natural Management Ltd	Non-trading	England
Offerton Fold Dental Practice Ltd.	Dental practices	England
Olivers Dental Studio Limited	Dental practices	England
Orthocentres Limited	Dental practices	England
Orthoworld 2000 Limited	Dental practices	England
Orthoworld Limited	Non-trading	England
OurDentist Ltd	Dormant	England
Padgate (No 1) Limited	Dental practices	England
Palmerston Precinct Practice Limited	Dental practices	England
Pearl Bidco Limited	Non-trading	England
Pearl Cayman 1 Limited	Non-trading	Cayman Islands
Pearl Cayman 2 Limited	Non-trading	Cayman Islands
Pearl Topco Limited	Non-trading	England
Petrie Tucker and Partners Limited.	Dental practices	Scotland*
Phoenix Dental Practice Limited	Dental practices	England
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
Romford Orthodontics Centre Limited.	Dental practices	England
S L S Dental Care Limited	Dental practices	England
Salcombe Dental Practice Limited.	Dental practices	England
Shadeshire Limited.	Non-trading	England
Silverdale Dental Care Ltd.	Dental practices	England
Smile Dental Practices Limited	Dormant	England
South Tyneside Smiles Limited	Dental practices	England
Speed 8599 Limited	Dormant	England
Speed 8600 Limited	Dormant	England
SRDP Limited	Dental practices	England
TAG Medical Limited	Medical equipment and testing	England
The Bristol Endodontic Clinic Limited.	Dental practices	England
The Crescent Specialist Dental Centre Ltd	Dental practices	England
The Dental Directory Limited (formerly Broomco (4270) Limited)	Non-trading	England
The Domiciliary Dental Practice Limited	Dental practices	England

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
The Plains' Dental Practice Limited.	Dental practices	England
The Village Practice Ltd	Dental practices	England
The Visiting Dental Service Limited	Dental practices	England
Tully Crine Limited	Dental practices	England
Unnati Limited	Dental practices	England
Unodent Limited	Dormant	England
Viren Patel and Associates Limited.	Non-trading	England
Westhoughton (No 1) Limited.	Dental practices	England
Westpark Dental Practice Limited.	Dental practices	England
Whitecross Dental Care Limited	Dental practices	England
Whitecross Group Limited	Non-trading	England
Whitecross Healthcare Limited	Non-trading	England
Whitecross Supplies Limited	Dormant	England
Wishaw Cross Dental Care Limited.	Dental practices	Scotland
X-Dent Limited	Healthcare goods and services	Jersey

* Countries of operation – England, Scotland and Wales

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

Name of partnership	Name of partnership
1A Dental Practice Partnership	Dividy Road Dental Practice Partnership
1A Group Dental Practice Partnership	Fearnhead Dental Surgery Partnership
Abercromby Health Centre Partnership	Feidr Fair Partnership Dental Practice
Amit Rai and Fizan Tahir Partnership	Filey Dental Care Centre Partnership
Armley Dental Practice Partnership	Finchley Dental Care Practice Partnership
Aspire Dental Practice Partnership	Florence House Dental Practice Partnership
Avondale Dental Practice Partnership	Gairloch House Dental Practice Partnership
Bank House Dental Practice	Green Lane Dental Practice Partnership
Barber Road Dental Practice Partnership	Hampton Court Dental Centre Partnership
Bolton and Bury Dental Practice Partnership	Harbour Dental Practice Partnership
Brassey Avenue Dental Practice Partnership	Hartlepool Dental Practice Partnership
Brinsworth Lane Dental Care Partnership	Haslingden Dental Surgery Partnership
Brixton Hill Dental Practice Partnership	Heaton Road and Blakelaw Dental Practice Partnership
Caldy Road Dental Practice Partnership	High Street Dental Practice Partnership
Carcroft Dental Practice Partnership	Hollinwood Dental Practice Partnership
Castle View House Dental Practice Partnership	Horncastle Dental Practice Partnership
Central Dental Practice Partnership	Ingleby Meadow Dental Practice Partnership
Chantry Dental Practice Partnership	Jefferies Reed and Associates
Chequer Hall Dental Practice Partnership	JF Scott Dental Surgeon Partnership
Cherry Orchard Dental Practice Partnership	Kettering Central Dental Practice Partnership
Colne & Earby Dental Practice Partnership	Kings Specialist Dental Practice Partnership
Cottage Dental Practice Partnership	Lambert Coutts & Associates Dental Practice Partnership
Crown Dental Practice Partnership	Low Fell Dental Practice Partnership
Dalton Dental Surgery Partnership	
Deganwy Avenue Dental Practice Partnership	

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of partnership	Name of partnership
Lyme Dental Surgery Partnership	The Grainger Stockton, Birtley and Stanley Dental Practice Partnership
Mayo Dental Clinic Partnership	The Gull Coppice Dental Practice Partnership
Mill Dental Practice Partnership	The Haverflatts Lane Dental Practice Partnership
Mostyn House Dental Practice Partnership	The Helston Dental Practice Partnership
Mount Folly Square Dental Practice Partnership	The Kenton Park Dental Practice Partnership
Narborough Road South Dental Practice Partnership	The Killingworth Dental Practice Partnership
Newcastle and Wallsend Dental Practice Partnership	The Kings Norton Dental Practice Partnership
North Marine Road Dental Practice Partnership	The Lacey Dental Practice Partnership
Northgate Dental Health Practice Partnership	The Loddon Dental Practice Partnership
Old Brewery Yard Dental Practice Partnership	The London Road Dental Practice Partnership
Old Mill Lane Dental Practice Partnership	The Lyppard Dental Centre Practice Partnership
Olivers Dental Studio Partnership	The Marden House Dental Practice Partnership
Picton Road Dental Practice Partnership	The Nelson Street Dental Practice Partnership
Railway Road Dental Practice Partnership	The Newcastle Dental Care Practice Partnership
Red Rose Dental Group	The Newland Avenue and Castle Street Dental Practice Partnership
Rhos Road Dental Practice Partnership	The Peterborough Dental Practice Partnership
Rhyl and Abergele Elwy Dental Partnership	The Peterlee Dental Practice Partnership
River Wye Dental Practice Partnership	The Pondental Surgery Dental Practice Partnership
Saint Andrews Dental Practice Partnership	The Queen Street Dental Practice Partnership
Severn Street Dental Practice Partnership	The Sea Road Dental Practice Partnership
Shelldrake Drive Dental Practice Partnership	The Southwick and Whitburn Dental Practice Partnership
Sneyd Green Dental Practice Partnership	The Trewergie Dental Practice Partnership
Spittal Hill Dental Surgery Practice Partnership	The Warner Street Dental Practice Partnership
Stanhope Road Dental Practice Partnership	The White House Dental Practice Partnership
The Abbey Parade Dental Practice Partnership	The Yeading Lane Dental Practice Partnership
The Birley Moor Dental Practice Partnership	Thomas Street Dental Practice Partnership
The Boulevard Dental Practice Partnership	Tower Gardens Dental Practice Partnership
The Burnby Dental Practice Partnership	Trinity Terrace Dental Practice Partnership
The Burnham Dental Practice Partnership	Tuebrook Dental Practice Partnership
The Bury Dental Practice Partnership	VI Dental Centre Partnership
The Caulfield Dental Surgery Partnership	West Lodge Dental Practice Partnership
The Church House Dental Practice Partnership	Westbury Park Dental Practice Partnership
The Cornhill Dental Practice Partnership	Weymouth and the Bridges Dental Practice Partnership
The Cowpen and Waterloo Dental Practice Partnership	Whiston Village Dental Practice Partnership
The Crab Tree Lane and Church Street Dental Practice Partnership	Woodview Dental Health Practice Partnership
The Crossgates Lane and Chapeltown Road Dental Practice Partnership	
The Dental Surgery Partnership	
The Fairfield Dental Practice Partnership	

Group

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

13 Stock

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

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

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

14 Debtors

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade debtors	17,631	–	3,938	–
Amounts owed by related undertakings	213	–	213	–
Other debtors	6,547	–	10,210	–
Prepayments and accrued income	20,064	–	20,894	–
Corporation tax recoverable	550	–	135	–
Deferred tax asset	8,737	–	9,517	–
	53,742	–	44,907	–

The amounts owed by related undertakings reflect expenses paid on behalf of Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited on behalf of group management.

Deferred tax

The elements of deferred taxation are as follows:

	Group 2015 £'000	Group 2014 £'000
Accelerated capital allowances	9,756	10,981
Other short term timing differences	(1,019)	(1,464)
	8,737	9,517

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

14 Debtors (continued)

	Group £'000
At 1 April 2014.	9,517
Charge in the year.	(40)
Adjustment in respect of the previous year (note 8)	(579)
Arising from the acquisition of subsidiary undertakings (note 29).	(161)
At 31 March 2015	8,737

	Group £'000
Deferred tax asset relating to defined benefit pension scheme liability	
Deferred tax charged to the profit and loss account	(2)
Deferred tax credited to the consolidated statement of total recognised gains and losses	85
Total deferred tax credit relating to defined benefit pension scheme liability (note 24)	83

	Group £'000
Reconciliation of deferred tax charge recognised in the profit and loss account	
Deferred tax charge for the financial year.	(40)
Deferred tax charge in respect of defined benefit pension scheme	(2)
Total deferred tax charge recognised in the profit and loss account (note 8)	(42)

15 Creditors: amounts falling due within one year

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade creditors	19,146	–	12,877	–
Amounts owed to group undertakings	–	68	–	60
Corporation tax	30	–	197	–
Other taxation and social security costs	3,773	–	1,899	–
Other creditors	1,014	–	–	–
Deferred consideration for acquisitions	5,676	–	5,329	–
Accruals and deferred income.	57,209	–	44,943	–
	86,848	68	65,245	60

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

15 Creditors: amounts falling due within one year (continued)

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

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

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

16 Creditors: amounts falling due after more than one year

	Group 2015	Company 2015	Group 2014	Company 2014
	£'000	£'000	£'000	£'000
Bank and other borrowings (note 17)	520,840	–	408,535	–
Deferred consideration for acquisitions	7,011	–	5,499	–
Accruals and deferred income	410	–	379	–
	528,261	–	414,413	–

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

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

17 Bank and other borrowings

The company does not hold any bank or other borrowings.

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

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

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

On 9 May 2014, the group raised a further £100 million through the issue of additional senior secured floating rate notes. The proceeds were used to repay the group's existing borrowings against the SSRCF and for general corporate purposes. The notes were issued at a price of 101.25, a premium of 1.25% over par. The premium arising of £1.25 million is to be amortised on a straight line basis over the remaining term to maturity.

- The £200 million of senior secured notes mature at par on 1 December 2018. Interest is payable semi-annually on 1 March and 1 September each year at a fixed coupon of 6% per annum.
- The £225 million of senior secured floating rate notes mature at par on 1 December 2018. Interest is payable quarterly on 1 March, 1 June, 1 September and 1 December each year at a coupon of 3 month LIBOR plus 5% per annum.
- The £75 million of second lien notes mature at par on 1 June 2019. Interest is payable semi-annually on 1 March and 1 September each year at a fixed coupon of 8.5% per annum.
- £30.50 million has been drawn down against the £100 million SSRCF as at 31 March 2015 (2014: £22.00 million). Interest is payable in arrears at a rate of LIBOR plus 4% per annum.

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

18 Provisions for liabilities

Group	Above market rental	Vacant property and dilapidations	Total
	£'000	£'000	£'000
At 1 April 2014	5,884	4,333	10,217
Arising from acquisitions (note 29).	123	431	554
Fair value adjustments	–	(160)	(160)
Utilised in the financial year	(1,147)	(466)	(1,613)
Unwinding of discount	243	27	270
At 31 March 2015	5,103	4,165	9,268

Property provisions

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

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

The group has a number of vacant and partly sub-let leasehold properties arising from the closure of loss making practices. Provision has been made for the residual lease commitments, together with other outgoings, after taking into account existing sub-tenant arrangements. It is not assumed that the properties will be able to be sublet beyond the periods in the present sub-lease agreements.

Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease and the costs of compliance with existing regulations.

The provisions are expected to be substantially utilised over the next five years.

19 Called up share capital

Group and company	Number issued	2015 £'000	Number issued	2014 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1	410,961,479	410,961	410,961,479	410,961

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

20 Profit and loss account

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
At the beginning of the year	(143,284)	(10)	(109,158)	(2)
Loss for the financial year	(20,429)	(8)	(34,126)	(8)
Actuarial (loss)/gain in respect of defined benefit pension scheme	(570)	–	50	–
Unrecognised actuarial movement arising on defined benefit pension scheme in surplus to which the group has no recourse	–	–	(50)	–
Reversal of previously unrecognised defined benefit pension scheme asset	145	–	–	–
Deferred tax movement in respect of defined benefit pension scheme	85	–	–	–
At the end of the year	(164,053)	(18)	(143,284)	(10)

21 Reconciliation of movements in shareholders' funds

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Loss for the financial year	(20,429)	(8)	(34,126)	(8)
Ordinary shares issued	–	–	410,961	410,961
Actuarial (loss)/gain in respect of defined benefit pension scheme	(570)	–	50	–
Unrecognised actuarial movement arising on defined benefit pension scheme in surplus to which the group has no recourse	–	–	(50)	–
Reversal of previously unrecognised defined benefit pension scheme asset	145	–	–	–
Deferred tax movement in respect of defined benefit pension scheme	85	–	–	–
Net (decrease)/increase in shareholders' funds.	(20,769)	(8)	376,835	410,953
Opening shareholders' funds/(deficit).	267,677	410,951	(109,158)	(2)
Closing shareholders' funds	246,908	410,943	267,677	410,951

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

22 Contingent liabilities

Assigned leases

When disposing of practices, the group has generally assigned the associated leases to the purchaser. In the event that the purchaser defaults on their lease payments and should the landlord be unable to mitigate their losses sufficiently, then there is an obligation on the group to take on these lease commitments.

In the opinion of the directors such eventualities are unlikely, as practices have been disposed of as going concerns, and as a result there is no such provision against such eventualities made in these financial statements. The group has no experience of any leases that it has assigned, in relation to dental practices, reverting back to it.

Partnership guarantees

A number of individuals in the management team have joined partnerships as part of the group's acquisition of the trade and assets of those partnerships. The partners hold their interest in the partnership under a trust deed on behalf of one of the group companies. In order to indemnify the partners against specific risks in relation to this arrangement, a guarantee is in place supported by a letter of credit from the group's bank for £1.80 million (2014: £1.80 million).

23 Commitments under operating leases

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 Pension commitments

Group

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

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

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

During the year to 31 March 2015 the group did not contribute directly to the scheme, however, the cost of insuring death in service benefits and other trustee expenses were paid by the group and amounted to £45,000 (2014: £52,000). The group does not expect to make contributions to the scheme or for the costs of the scheme to change significantly in the next financial year.

The latest full actuarial valuation for which results are available, was carried out as at 6 April 2014 and was updated for FRS 17 'Retirement benefits' purposes to 31 March 2015 by a qualified independent actuary.

The major assumptions used in this valuation were:

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

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires at the age of 65 in 2015 will on average live for a further 22.9 years (2014: 24.7 years) after retirement if they are male and 24.9 years (2014: 26.6 years) if they are female.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 Pension commitments (continued)

Scheme assets

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

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

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

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

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 Pension commitments (continued)

Movement in (deficit)/surplus during the year:

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

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

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

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

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

Analysis of amounts included in other finance income

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 Pension commitments (continued)

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

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

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

Five year record

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

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

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

	Group 2015	Group 2014
	£'000	£'000
Operating profit	17,260	18,572
Amortisation of goodwill	38,618	33,989
Depreciation	16,973	13,623
Amortisation of grant income	(318)	(510)
Defined benefit pension scheme service cost	20	–
Increase in stock	(247)	(746)
Decrease/(increase) in debtors	3,865	(4,857)
Increase in creditors	6,729	589
Decrease in provisions	(1,612)	(5,895)
Net cash inflow from operating activities	81,288	54,765

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

26 Analysis of cash flows

	Group 2015 £'000	Group 2014 £'000
Returns on investment and servicing of finance		
Senior facility loan interest paid	(642)	(2,932)
Senior secured, floating rate and second lien note interest paid	(29,795)	(19,063)
Interest rate swap cash paid	(1,715)	(2,426)
Bank interest received	75	67
Arrangement fees and associated professional costs	(1,678)	(15,366)
Syndicate charges paid	(1,472)	(1,702)
Net cash outflow for returns on investments and servicing of finance	(35,227)	(41,422)
Capital expenditure		
Purchase of tangible fixed assets	(25,916)	(21,136)
Capital grants received	4	19
Purchase of freehold property	(175)	(2,716)
Proceeds on sale of freehold property and other tangible fixed assets	10,962	298
Net cash outflow for capital expenditure	(15,125)	(23,535)
Acquisitions and disposals		
Acquisition of subsidiary undertakings (including associated costs)	(103,636)	(59,567)
Cash acquired on acquisition of subsidiary undertakings	4,317	1,684
Acquisition of practices (including associated costs)	(17,791)	(33,354)
Proceeds from sale of practices (net of costs)	–	17
Deferred consideration paid	(723)	(2,109)
Professional fees paid in respect of acquisitions in progress at the balance sheet date	(123)	(225)
Net cash outflow for acquisitions and disposals	(117,956)	(93,554)
Financing		
Drawdown of bank loans	105,000	47,307
Repayment of bank loans	(96,500)	(329,273)
Proceeds from issue of senior secured, floating rate and second lien notes . .	101,250	400,000
Repayment of loan from parent	–	(50,000)
Net cash inflow from financing	109,750	68,034

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

27 Reconciliation of net cash flow to movement in net debt

	Group 2015 £'000	Group 2014 £'000
Increase/(decrease) in cash in the financial year	22,180	(35,467)
Drawdown of bank loans	(105,000)	(47,307)
Repayment of bank loans	96,500	329,273
Proceeds from issue of senior secured, floating rate and second lien notes (net of fees)	–	(384,460)
Proceeds from issue of additional floating rate notes	(101,250)	–
Repayment of loan from parent	–	50,000
Total cash movement in net debt	(87,570)	(87,961)
Accrued interest on loan from parent	–	(8,339)
Issue of ordinary shares in settlement of loan from parent	–	410,961
Amortisation of loan arrangement fees	(2,786)	(2,674)
Amortisation of premium arising on issue of additional floating rate notes	231	–
Release of loan arrangement fees on redemption of senior facilities	–	(15,263)
Total non-cash movement in net debt	(2,555)	384,685
Total movement in net debt	(90,125)	296,724
Net debt brought forward	(401,599)	(698,323)
Net debt carried forward	(491,724)	(401,599)

28 Analysis of changes in net debt

	At the start of the year £'000	Cash flows £'000	Other non-cash changes £'000	At the end of the year £'000
Cash and cash equivalents				
Cash at bank and in hand	6,936	22,180	–	29,116
Debt				
Bank and other borrowings	(408,535)	(109,750)	(2,555)	(520,840)
Total net debt	(401,599)	(87,570)	(2,555)	(491,724)

29 Acquisitions

Acquisition of HM Logistics Limited

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

29 Acquisitions (continued)

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

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

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

29 Acquisitions (continued)

Corporate acquisitions

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

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

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

29 Acquisitions (continued)

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.

Unincorporated acquisitions

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

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

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

The adjustment to provisions results from properties where the lease terms upon acquisition are such that rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases. Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease and the costs of compliance with existing regulations.

30 Post balance sheet events

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

The total consideration was £7.5 million.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

31 Related party transactions

Transactions with entities under the control of key management personnel

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

Sharksfin Holdings Limited

The group leases certain warehouse and office premises from Sharksfin Holdings Limited, a company incorporated in England and in which Mr Mills has a majority shareholding. During the period from 18 April 2014 to 31 March 2015, the rent charge in respect of these premises was £324,000. £53,000 was due to Sharksfin Holdings Limited at 31 March 2015.

Med-FX Limited

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

The Weavers Pension Scheme

The group leases certain warehouse premises from The Weavers Pension Scheme, a pension scheme of which Mr Mills is a trustee and beneficiary. During the period from 18 April 2014 to 31 March 2015, the rent charge in respect of these premises was £63,000. No balance was due to or from The Weavers Pension Scheme as at 31 March 2015.

32 Controlling party

The immediate parent undertaking is Turnstone Midco 1 Limited.

The results of the company and of the group are also consolidated in the financial statements of Turnstone Equityco 1 Limited. Turnstone Equityco 1 Limited is the parent undertaking of the largest group to consolidate these financial statements. No other financial statements consolidate the results of the group.

At 31 March 2015 and throughout the year, the ultimate controlling party of Turnstone Midco 2 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group.

Turnstone Midco 2 Limited
Consolidated financial statements
Registered number 07496754
Year ended 31 March 2014

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Independent auditors' report to the members of Turnstone Midco 2 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 Midco 2 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.

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 (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
20 June 2014

Turnstone Midco 2 Limited
Consolidated profit and loss account
for the year ended 31 March 2014

	Note	2014			2013 £'000
		Acquisitions	Continuing operations	Total	
		£'000	£'000	£'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			(54,253)	(70,288)
Loss on ordinary activities before taxation				(36,056)	(59,388)
Tax on loss on ordinary activities	8			1,980	1,908
Loss on ordinary activities after taxation				(34,076)	(57,480)
Equity minority interests				(50)	80
Loss for the financial year	20			(34,126)	(57,400)

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 F-124 to F-154 form part of these financial statements.

Turnstone Midco 2 Limited
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	44,907		28,558	
Cash at bank and in hand		6,936		42,403	
		59,416		77,199	
Total assets			757,518		703,372
Capital and reserves					
Called up share capital	19	410,961		–	
Profit and loss account	20	(143,284)		(109,158)	
Total shareholders' funds/(deficit)	21		267,677		(109,158)
Minority interest			(34)		(84)
Total capital employed			267,643		(109,242)
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		414,413		731,686
Provisions for liabilities and charges	18		10,217		14,977
			424,630		746,663
Total equity and liabilities			757,518		703,372

The notes on pages F-124 to F-154 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

Turnstone Midco 2 Limited

Company balance sheet

at 31 March 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	12		411,011		–
Current assets					
Debtors (includes £nil failing due after more than one year, 2013: £452,622,000)	14		–		461,082
Total assets			<u>411,011</u>		<u>461,082</u>
Capital and reserves					
Called up share capital	19	410,961		–	
Profit and loss account	20	(10)		(2)	
Total shareholders' funds/(deficit)	21		410,951		(2)
Creditors: amounts falling due within one year	15		60		8,462
Non-current liabilities					
Creditors: amounts falling due after more than one year	16		–		452,622
Total equity and liabilities			<u>411,011</u>		<u>461,082</u>

The notes on pages F-124 to F-154 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

Turnstone Midco 2 Limited
Consolidated cash flow statement
for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	25	54,765	53,861
Returns on investments and servicing of finance	26	(41,422)	(19,515)
Net cash inflow after returns on investment & servicing of finance		13,343	34,346
Taxation		245	(336)
Capital expenditure	26	(23,535)	(14,467)
Acquisitions and disposals	26	(93,554)	(45,623)
Net cash outflow before financing		(103,501)	(26,080)
Financing	26	68,034	49,526
(Decrease)/increase in cash in the financial year	28	(35,467)	23,446

The notes on pages F-124 to F-154 form part of these financial statements.

Turnstone Midco 2 Limited

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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 24.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

3 Operating profit

	2014	2013
	£'000	£'000
<i>Operating profit is stated after charging/(crediting):</i>		
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:

	2014	2013
	£'000	£'000
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the company's auditors for the audit of the parent company and the consolidated financial statements	8	1
Fees payable to the company's auditors and their associates for other services:		
The audit of the company's subsidiaries	231	173
Other assurance services	25	–
	264	174

Turnstone Midco 2 Limited

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.

	2014	2013
	£'000	£'000
Amounts receivable by the auditors and their associates in respect of:		
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	2013
	No of employees	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	2013
	£'000	£'000
Wages and salaries	83,642	66,849
Social security costs	5,936	4,602
Other pension costs	342	–
	89,920	71,451

5 Directors' remuneration

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

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

5 Directors' remuneration (continued)

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.

7 Interest and similar items

	Group 2014 £'000	Group 2013 £'000
<i>Interest payable and similar charges</i>		
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)
Other interest payable – unwinding of discount (note 18)	(291)	(353)
Syndicate charges	(1,684)	(1,429)
Interest payable on loan from parent	(8,339)	(46,874)
Total interest payable and similar charges	(54,253)	(70,288)
<i>Interest receivable and similar income</i>		
Bank deposit interest	67	37
Total interest receivable and similar income	67	37
Net interest payable and similar items	(54,186)	(70,251)

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

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)

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	(36,056)	(59,388)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	(8,293)	(14,253)
<i>Effects of:</i>		
Depreciation in the year in excess of capital allowances	2,699	1,853
Expenses not deductible for tax purposes	5,563	13,571
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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

9 Parent company result

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

The company's loss of £8,000 (2013: £1,000) arises solely from audit fees incurred in respect of the audit of the parent company and group financial statements.

10 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2013	613,417
Practice acquisitions (note 29)	30,638
Subsidiary acquisitions (note 29)	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.

Turnstone Midco 2 Limited

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 29)	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).

12 Fixed asset investments

Company	£'000
Investments at cost in subsidiary undertaking at 1 April 2013	–
Additions	411,011
Investments at cost in subsidiary undertaking at 31 March 2014	411,011

The company owns 100% of its immediate subsidiaries, Turnstone Bidco 1 Limited and IDH Finance Plc.

The cost and book value of its investment in Turnstone Bidco 1 Limited is £410,961,479 (2013: £3). On 30 May 2013, the company subscribed for 410,961,476 £1 ordinary shares in Turnstone Bidco 1 Limited in exchange for £410,961,476 of the outstanding loan amount (including accrued interest) due from Turnstone Bidco 1 Limited at that date (see also note 14).

On 7 May 2013, the company also subscribed for 50,000 £1 ordinary shares at par in IDH Finance Plc, a newly incorporated subsidiary company.

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

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 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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
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
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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
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 Burrridge 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
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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

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

Name of partnership	Name of partnership
1A Dental Practice Partnership	Mostyn House Dental Practice Partnership
1A Group Dental Practice Partnership	Mount Folly Square Dental Practice Partnership
Amit Rai and Fizan Tahir Partnership	Narborough Road South Dental Practice Partnership
Armley Dental Practice Partnership	Newcastle and Wallsend Dental Practice Partnership
Aspire Dental Practice Partnership	North Marine Road Dental Practice Partnership
Bank House Dental Practice	Northgate Dental Health Practice Partnership
Bolton and Bury Dental Practice Partnership	Old Brewery Yard Dental Practice Partnership
Brassey Avenue Dental Practice Partnership	Picton Road Dental Practice Partnership
Brinsworth Lane Dental Care Partnership	Railway Road Dental Practice Partnership
Caldy Road Dental Practice Partnership	Red Rose Dental Group
Carcroft Dental Practice Partnership	Rhos Road Dental Practice Partnership
Castle View House Dental Practice Partnership	Rhyl and Abergele Elwy Dental Partnership
Central Dental Practice Partnership	River Wye Dental Practice Partnership
Chantry Dental Practice Partnership	Severn Street Dental Practice Partnership
Chequer Hall Dental Practice Partnership	Shell Drake Drive Dental Practice Partnership
Cherry Orchard Dental Practice Partnership	Sneyd Green Dental Practice Partnership
Colne & Earby Dental Practice Partnership	Stanhope Road Dental Practice Partnership
Cottage Dental Practice Partnership	The Abbey Parade Dental Practice Partnership
Crown Dental Practice Partnership	The Birley Moor Dental Practice Partnership
Dalton Dental Surgery Partnership	The Boulevard Dental Practice Partnership
Dividy Road Dental Practice Partnership	The Burnby Dental Practice Partnership
Fearnhead Dental Surgery Partnership	The Burnham Dental Practice Partnership
Feidr Fair Partnership Dental Practice	The Bury Dental Practice Partnership
Filey Dental Care Centre Partnership	The Caulfield Dental Surgery Partnership
Florence House Dental Practice Partnership	The Church House Dental Practice Partnership
Gairloch House Dental Practice Partnership	The Cowpen and Waterloo Dental Practice Partnership
Green Lane Dental Practice Partnership	The Crab Tree Lane and Church Street Dental Practice Partnership
Hampton Court Dental Centre Partnership	The Crossgates Lane and Chapel Town Road Dental Practice Partnership
Harbour Dental Practice Partnership	The Dental Surgery Partnership
Hartlepool Dental Practice Partnership	The Fairfield Dental Practice Partnership
Haslingden Dental Surgery Partnership	The Grainger Stockton, Birtley and Stanley Dental Practice Partnership
High Street Dental Practice Partnership	The Haverflatts Lane Dental Practice Partnership
Hollinwood Dental Practice Partnership	The Helston Dental Practice Partnership
Horncastle Dental Practice Partnership	The Kenton Park Dental Practice Partnership
Jefferies Reed and Associates	The Killingworth Dental Practice 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	

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of partnership	Name of partnership
The Kings Norton Dental Practice Partnership	The Sea Road Dental Practice Partnership
The Lacey Dental Practice Partnership	The Southwick and Whitburn Dental Practice Partnership
The London Dental Practice Partnership	The Trewergie Dental Practice Partnership
The London Road Dental Practice Partnership	The Warner Street Dental Practice Partnership
The Lyppard Dental Centre Practice Partnership	The White House Dental Practice Partnership
The Marden House Dental Practice Partnership	Thomas Street Dental Practice Partnership
The Nelson Street Dental Practice Partnership	Tower Gardens Dental Practice Partnership
The Newcastle Dental Care Practice Partnership	Trinity Terrace Dental Practice Partnership
The Newland Avenue and Castle Street Dental Practice Partnership	Tuebrook Dental Practice Partnership
The Peterborough Dental Practice Partnership	VI Dental Centre Partnership
The Peterlee Dental Practice Partnership	West Lodge Dental Practice Partnership
The Queen Street 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	Group 2013
	£'000	£'000
Raw materials and consumables	7,573	6,238

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

14 Debtors

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Amounts falling due after more than one year				
Amounts owed by group undertakings	–	–	–	452,622
Amounts falling due within one year				
Trade debtors	3,938	–	2,259	–
Amounts owed by group undertakings	–	–	–	8,460
Amounts owed by related undertakings	213	–	141	–
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	–
	44,907	–	28,558	8,460
	44,907	–	28,558	461,082

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

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

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

14 Debtors (continued)

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 29)		(16)
At 31 March 2014		9,517

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	–	60	–	8,462
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	60	65,951	8,462

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

15 Creditors: amounts falling due within one year (continued)

	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 owed to parent	–	–	452,622	452,622
Deferred consideration for acquisitions	5,499	–	1,302	–
Accruals and deferred income.	379	–	551	–
	414,413	–	731,686	452,622

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.

The loan owed to the parent company falling due after more than one year is unsecured and is subject to an interest charge ranging between 12% and 15% per annum. The amount payable at 31 March 2013 includes accrued interest of £84.1 million. On 30 May 2013, the company issued 410,961,476 £1 ordinary shares to Turnstone Midco 1 Limited in exchange for £410,961,476 of the outstanding loan amount (including accrued interest) due to Turnstone Midco 1 Limited at that date (see also note 19). The remaining £50,000,000 due at 30 May 2013 was settled using the cash proceeds received from Turnstone Bidco 1 Limited on the same date in settlement of the loan due to the company.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

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	Group 2013
	£'000	£'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

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

18 Provisions for liabilities

Group	Above market rental	Vacant property and dilapidations	Total
	£'000	£'000	£'000
At 1 April 2013	6,248	8,729	14,977
Arising from acquisitions (note 29)	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.

19 Called up share capital

Group and company	Number issued	2014 £'000	Number issued	2013 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1	410,961,479	410,961	3	–

On 30 May 2013, the company issued 410,961,476 £1 ordinary shares to its immediate parent, Turnstone Midco 1 Limited, in settlement of £410,961,476 of the outstanding loan balance (including accrued interest) due to Turnstone Midco 1 Limited at that date (see also note 16).

20 Profit and loss account

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
At the beginning of the year	(109,158)	(2)	(51,758)	(1)
Loss for the financial year	(34,126)	(8)	(57,400)	(1)
At the end of the year	(143,284)	(10)	(109,158)	(2)

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

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

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Loss for the financial year	(34,126)	(8)	(57,400)	(1)
Ordinary shares issued	410,961	410,961	–	–
Net increase in shareholders' funds/(deficit)	376,835	410,953	(57,400)	(1)
Opening shareholders' deficit	(109,158)	(2)	(51,758)	(1)
Closing shareholders' funds/(deficit)	267,677	410,951	(109,158)	(2)

22 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).

23 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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 Pension commitments (continued)

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.

Movement in surplus during the year:

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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

24 Pension commitments (continued)

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

	2014	2013
	£'000	£'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	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'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.

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

	Group 2014	Group 2013
	£'000	£'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	(4,857)	(2,698)
Increase in creditors	589	4,951
Decrease in provisions	(5,895)	(2,903)
Net cash inflow from operating activities	54,765	53,861

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

26 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	–
Amounts borrowed from parent	–	14,460
Repayment of loan from parent	(50,000)	–
Net cash inflow from financing	68,034	49,526

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

27 Reconciliation of net cash flow to movement in net debt

	Group 2014 £'000	Group 2013 £'000
(Decrease)/increase in cash in the financial year	(35,467)	23,446
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)	–
Amounts borrowed from parent.	–	(14,460)
Repayment of loan from parent.	50,000	–
Total cash movement in net debt	(87,961)	(26,080)
Accrued interest on loan from parent	(8,339)	(46,874)
Issue of ordinary shares in settlement of loan from parent	410,961	–
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	384,685	(50,312)
Total movement in net debt	296,724	(76,392)
Net debt brought forward.	(698,323)	(621,931)
Net debt carried forward	(401,599)	(698,323)

28 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	42,403	(35,467)	–	6,936
Debt				
Bank and other borrowings	(288,104)	(102,494)	(17,937)	(408,535)
Loan owed to parent.	(452,622)	50,000	402,622	–
Total debt	(740,726)	(52,494)	384,685	(408,535)
Total net debt	(698,323)	(87,961)	384,685	(401,599)

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

29 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.

	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Fair value</u>
	£'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
			<u>28,022</u>
Satisfied by:			
Cash			27,420
Acquisition expenses			602
			<u>28,022</u>

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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

29 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

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

29 Acquisitions (continued)

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.

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.

	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Fair value</u>
	£'000	£'000	£'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.

Turnstone Midco 2 Limited

Notes to the financial statements (continued)

30 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.

31 Controlling party

The immediate parent undertaking is Turnstone Midco 1 Limited.

The results of the company and of the group are also consolidated in the financial statements of Turnstone Equityco 1 Limited. Turnstone Equityco 1 Limited is the parent undertaking of the largest group to consolidate these financial statements. No other financial statements consolidate the results of the group.

At 31 March 2014 and throughout the year, the ultimate controlling party of Turnstone Midco 2 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group.

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