

Euxton (No 1) Limited

Directors' report and financial statements

Registered number 06363149

11 month period ended 31 March 2012

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Directors' report for the 11 month period ended 31 March 2012

The directors present their report and the audited financial statements of Euxton (No1) Limited for the 11 month period ended 31 March 2012

Principal activities

The principal activity of the company is the provision of dental services

Business review

Review of the development and performance of the company

On 11 May 2011, Pearl Topco Limited, the company's parent undertaking was acquired, along with ADP Healthcare Services Limited, by Turnstone Bidco 1 Limited

Turnstone Bidco 1 Limited was established as an investment vehicle to acquire the Integrated Dental Holdings ('IDH') chain of dental practices and to merge the operations with the dental practices owned by ADP Healthcare Services Limited ('ADP')

Following the acquisition, the company is a member of the group of companies headed by Turnstone Equityco 1 Limited ("the group") The principal activity of the group is the operation of dental practices

The company has changed its year end from 30 April to 31 March, in line with the year end of the new group

As with the majority of dental practices in the UK, the company offers a mixture of NHS and private treatment to patients

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

Financial review

The majority of the company's revenue was derived from a fixed income contract with the local NHS Primary Care Trust In addition the company had a variable income stream based on treatments provided to patients under private contract The fixed income nature of the contract provides the company with stability and visibility over its revenue and profit streams

Turnover for the period was £867,618 (year ended 30 April 2011 £883,235) Profit on ordinary activities before taxation for the period was £123,384 (year ended 30 April 2011 £97,309) The profit on ordinary activities after taxation was £127,747 (year ended 30 April 2011 £104,614)

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is the key indicator for the company's stakeholders In the period EBITDA was £186,830 (year ended 30 April 2011 £169,846)

Principal risks and uncertainties

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

Key performance indicators

As noted above, one of the key performance indicators ("KPIs") which the directors and other stakeholders monitor is EBITDA This is reviewed in absolute terms and in relation to budgeted and prior year comparatives

Other KPIs used by the company include the following

- Staff retention percentages
- Dentist retention percentages
- NHS activity performance against target

The directors consider these ratios to be commercially sensitive and as a consequence details are not disclosed within this report

Proposed dividend

The directors do not recommend the payment of a dividend for the period (year ended 30 April 2011 £Nil)

Directors' report for the 11 month period ended 31 March 2012 *(continued)*

Directors

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

R Ablett
C Davies
D Robinson (Resigned 6 May 2011)

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

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

Political and charitable contributions

The company made no political or charitable contributions during the period (year ended 30 April 2011 £Nil).

Risk management and financial instruments

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The nature of the company's contract with the PCT means that credit risk is minimised for a significant proportion of the company's revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the company. Payment is also requested in advance for major courses of private treatment.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 incurring unacceptable losses or risking damage to the company's reputation.

Directors' report for the 11 month period ended 31 March 2012 *(continued)*

Market risk

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

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

Disclosure of information to auditors

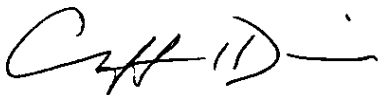
The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make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

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

Independent auditors

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

By order of the Board



C Davies
Director
10 December 2012

Europa House
Stoneclough Road
Kearsley
Manchester
M26 1GG

Independent auditors' report to the members of Euxton (No 1) Limited

We have audited the financial statements of Euxton (No 1) Limited for the 11 month period ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Martin Heath (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

10 December 2012

Profit and loss account

for the 11 month period ended 31 March 2012

	Note	11 months ended 31 March 2012 £	Year ended 30 April 2011 £
Turnover		867,618	883,235
Cost of sales		(467,597)	(473,189)
Gross profit		400,021	410,046
Administrative expenses		(276,637)	(312,737)
Profit on ordinary activities before taxation	3	123,384	97,309
Tax on profit on ordinary activities	6	4,363	7,305
Profit for the financial period	15	127,747	104,614

The notes on pages 7 to 14 form part of these financial statements

All activities are derived from continuing operations

The company has no material recognised gains and losses during the current period, or prior year, other than those stated above and therefore no separate statement of total recognised gains and losses has been presented

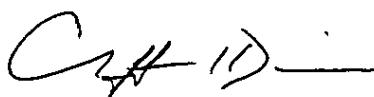
There were no differences between the historical cost profit and losses and the figures noted in the profit and loss account

Balance sheet
at 31 March 2012

	<i>Note</i>	31 March 2012	30 April 2011
		£	£
Fixed assets			
Intangible assets	7	695,721	736,710
Tangible assets	8	140,667	159,016
		<u>836,388</u>	<u>895,726</u>
Current assets			
Stocks	9	12,000	6,123
Debtors	10	779,127	614,001
		<u>791,127</u>	<u>620,124</u>
Creditors amounts falling due within one year	11	(68,900)	(87,595)
Net current assets		<u>722,227</u>	<u>532,529</u>
Total assets less current liabilities		<u>1,558,615</u>	<u>1,428,255</u>
Creditors amounts falling due after more than one year	12	(943,092)	(943,092)
Provisions for liabilities	13	(3,225)	(612)
Net assets		<u>612,298</u>	<u>484,551</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss reserve	15	612,296	484,549
Total shareholders' funds	16	<u>612,298</u>	<u>484,551</u>

The notes on pages 7 to 14 form part of these financial statements

These financial statements were approved by the board of directors on 10 December 2012 and were signed on its behalf by



C Davies
Director

Notes to the financial statements *(forming part of 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

The company is a wholly owned subsidiary of Turnstone Equityco 1 Limited and is included in the consolidated financial statements of Turnstone Equityco 1 Limited, which are publicly available

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of paragraph 3(c) of FRS 8 'Related Party Disclosure' from disclosing related party transactions with entities that are part of the Turnstone Equityco 1 Limited group of companies

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

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided to the extent that the company has obtained the right to consideration. NHS turnover is recognised based on the volume of dental activity delivered in the contract period. Turnover from private dental work 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 the 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 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. The company evaluates the carrying value of goodwill 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.

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.

Tangible fixed assets and depreciation

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

Fittings and equipment	4-10 years
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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.

Leases

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

Notes to the financial statements (continued)

Stock

Stock is stated at the lower of cost and net realisable value. In the case of raw materials and consumables, cost includes purchase price less trade discounts, transport and handling costs, calculated on an average price basis over the financial year. Provision is made for obsolete, slow moving and defective stock.

Taxation

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

Provisions

Provisions are recognised when the company 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.

2 Turnover

Turnover relates to the company's principal activity of the operation of a dental practice. All services are provided in the United Kingdom.

Notes to the financial statements (continued)

3 Profit on ordinary activities before taxation

	11 months ended 31 March 2012 £	Year ended 30 April 2011 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation – owned assets	22,457	27,888
Amortisation of goodwill	40,989	44,649
Operating leases – land and buildings	14,470	15,765
<i>Auditors' remuneration</i>		
Amounts receivable by the auditors and their associates in respect of Fees payable for the audit	1,800	1,800

4 Employees

The average number of persons employed by the company (excluding directors), during the period was made up as follows

	11 months ended 31 March 2012 No of employees	Year ended 30 April 2011 No of employees
Surgery staff	10	10
Administration staff	2	2
	12	12

The aggregate payroll costs of these persons were as follows

	11 months ended 31 March 2012 £	Year ended 30 April 2011 £
Wages and salaries	106,972	110,236
Social security costs	4,605	6,881
	111,577	117,117

5 Directors' emoluments

The directors received no emoluments from the company for their services (year ended 30 April 2011 £Nil) The emoluments received as a director of a group trading company are disclosed in the financial statements of Petrie Tucker and Partners Limited for R Ablett, C Davies and D Robinson

Notes to the financial statements (continued)

6 Taxation on profit on ordinary activities

a) Analysis of tax charge for the period

	11 months ended 31 March 2012 £	Year ended 30 April 2011 £
Current tax		
Corporation tax at 26.00% (2011: 27.84%)	-	-
Adjustment relating to the prior year	-	-
Total current tax charge for the period (note 6(b))	-	-
Deferred tax		
Deferred tax credit in the period	(4,765)	(7,009)
Effect of change in tax rate	(84)	(586)
Adjustment relating to the prior year	486	290
Total deferred tax credit for the period	(4,363)	(7,305)
Tax on profit on ordinary activities	<u>(4,363)</u>	<u>(7,305)</u>

b) Factors affecting the tax charge for the period

The current tax charge for the period is lower (30 April 2011: lower) than the standard rate of corporation tax in the UK for the period ended 31 March 2012 of 26.00% (30 April 2011: 27.84%). The differences are explained below:

	11 months ended 31 March 2012 £	Year ended 30 April 2011 £
Profit on ordinary activities before taxation	123,384	97,309
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.00% (2011: 27.84%)	32,080	27,091
Effects of		
Expenses not deductible for tax purposes	984	816
Depreciation in excess of capital allowances	5,162	7,505
Goodwill amortisation	10,657	12,430
Group relief claimed for nil consideration	(48,883)	(47,842)
Current tax charge for the period (note 6(a))	-	-

The main rate of corporation tax was reduced from 28% to 26% from 1 April 2011. A further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011. A further announcement was made in the 2012 Budget on 21 March 2012 that the rate would reduce to 24% with effect from 1 April 2012. This rate reduction was substantively enacted on 26 March 2012 and the deferred tax asset at 31 March 2012 has been re-measured accordingly.

This announcement also included provisions to reduce the main rate of corporation tax by further 1% reductions per annum to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements. The effect of this is not deemed to have a material effect on the deferred tax position at the end of the financial period.

Notes to the financial statements *(continued)*

7 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At 1 May 2011 and 31 March 2012	892,982
<i>Accumulated amortisation</i>	
At 1 May 2011	156,272
Charge for the period	40,989
At 31 March 2012	197,261
<i>Net book value</i>	
At 31 March 2012	695,721
At 30 April 2011	736,710

8 Tangible fixed assets

	Fittings and equipment £
<i>Cost</i>	
At 1 May 2011	221,693
Additions	4,108
At 31 March 2012	225,801
<i>Accumulated depreciation</i>	
At 1 May 2011	62,677
Charge for the period	22,457
At 31 March 2012	85,134
<i>Net book value</i>	
At 31 March 2012	140,667
At 30 April 2011	159,016

Notes to the financial statements *(continued)*

9 Stock

	31 March 2012 £	30 April 2011 £
Raw materials	12,000	6,123

10 Debtors

	31 March 2012 £	30 April 2011 £
Amounts owed by group undertakings	744,628	571,650
Deferred tax (note 13)	3,751	-
Prepayments and accrued income	30,748	42,351
	<u>779,127</u>	<u>614,001</u>

Amounts owed by group undertakings are unsecured and are not subject to an interest charge

11 Creditors: amounts falling due within one year

	31 March 2012 £	30 April 2011 £
Trade creditors	14,369	20,390
Accruals and deferred income	54,531	67,205
	<u>68,900</u>	<u>87,595</u>

12 Creditors: amounts falling after more than one year

	31 March 2012 £	30 April 2011 £
Amounts owed to group undertakings	943,092	943,092

Amounts owed to group undertakings are unsecured and are not subject to an interest charge

Notes to the financial statements *(continued)*

13 Provisions for liabilities

	Dilapidations £	Deferred Tax £	Total £
At 1 May 2011	-	612	612
Transferred to debtors (note 10)	-	3,751	3,751
Charged to the profit and loss account	3,225	-	3,225
Effect of change in tax rate	-	(84)	(84)
Adjustment in respect of prior periods	-	486	486
Accelerated capital allowances	-	(4,765)	(4,765)
Utilised in the period	-	-	-
At 31 March 2012	3,225	-	3,225

Dilapidations

Provision has been made for the costs associated with contractual obligations to return the practice to its original condition at the end of the lease

Deferred tax (asset)/liability

The elements of deferred taxation are as follows

	31 March 2012 £	30 April 2011 £
Accelerated capital allowances (note 10)	(3,751)	612

14 Called up share capital

	31 March 2012 £	30 April 2011 £
Authorised		
50,000 000 Ordinary shares of £0 00002 each	1,000	1,000
Allotted, called up and fully paid		
100,000 Ordinary shares of £0 00002 each	2	2

15 Profit and loss account

	31 March 2012 £	30 April 2011 £
At beginning of the financial period	484,549	379,935
Profit for the financial period	127,747	104,614
At end of the financial period	612,296	484,549

Notes to the financial statements *(continued)*

16 Reconciliation of movements in shareholders' funds

	31 March 2012 £	30 April 2011 £
Profit for the financial period	127,747	104,614
Net increase in shareholders' funds	127,747	104,614
Opening shareholders' funds	484,551	379,937
Closing shareholders' funds	612,298	484,551

17 Commitments

Commitments under operating leases

At 31 March 2012, the company had annual commitments under non-cancellable operating leases as follows

	31 March 2012 £	30 April 2011 £
Land and buildings*		
Expiring between two and five years	250	250
Expiring after five years	15,540	15,540
	15,790	15,790

18 Contingent liabilities

Bank guarantee

The company is a member of a group banking arrangement and has given an unlimited cross guarantee on the bank overdraft facilities and term loan for the group. At 31 March 2012 this amounted to £274,125,000 (30 April 2011 £247,067,000). The facilities outstanding at 30 April 2011 were repaid during May 2011 and replaced by new group borrowing arrangements.

19 Ultimate parent undertaking

The immediate parent undertaking is Integrated Dental Holdings Limited.

The results of the company are consolidated in the financial statements of Turnstone Equityco 1 Limited, a company incorporated in England. The consolidated financial statements of Turnstone Equityco 1 Limited are publicly available and may be obtained from Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

Turnstone Equityco 1 Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.

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