

ADP Holdings Limited

**Directors' report and financial
statements**

**Registered number 4298115
For the year ended 31 March 2011**

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Directors' report

The directors present their report and the financial statements for the year ended 31 March 2011

Principal activity

The company's principal activity was that of an intermediate holding company and group finance company. No change is envisaged by the directors in future years.

Results and dividends

The loss for the year after taxation amounted to £4,302,124 (2010 loss of £1,336,927). The directors do not recommend the payment of a dividend (2010 £Nil).

Business activities and review of business

On 11 May 2011 a deal was completed which sees the ADP group merged with the leading operator in the NHS dental care sector, IDH. The combined group will be the UK's largest private dental group consisting of 450 practices majority owned by the US private equity company, The Carlyle Group. The merger has been approved by the OFT subject to a small number of divestments.

Directors

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

R Flaye
B Patel (resigned 1 April 2010)
S Frampton (resigned 31 May 2010)
M Mayhew
K Fleming
N Rolph (appointed 1 April 2010)
R C Smith (appointed 12 August 2011)
L Walker (appointed 12 August 2011)
S R Williams (appointed 12 August 2011)

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

K Fleming
Director



Wellington House
17 Birkheads Road
Reigate
Surrey
RH2 0AU
2011

11 October

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADP HOLDINGS LIMITED

We have audited the financial statements of ADP Holdings Limited for the year ended 31 March 2011 set out on pages 4 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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 year 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.

T.J. Rush

T J Rush (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

13 October 2011

Profit and loss account

for the year ended 31 March 2011

	<i>Note</i>	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Administrative expenses		(2,979,126)	(13,929)
Operating loss		(2,979,126)	(13,929)
Interest payable	4	(1,322,998)	(1,322,998)
Loss on ordinary activities before taxation	2	(4,302,124)	(1,336,927)
Taxation	5	-	-
Loss on ordinary activities after taxation	11	(4,302,124)	(1,336,927)

The results shown above are derived wholly from continuing operations

There are no significant differences between those results presented above and those presented on a historical cost basis

There were no recognised gains or losses for either the current or preceding financial periods other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 6 to 13 form part of these financial statements

Balance sheet

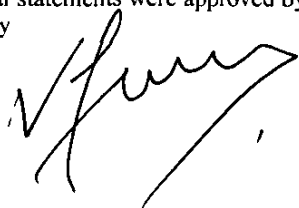
as at 31 March 2011

	Note	As at 31 March 2011 £	As at 31 March 2010 £
Fixed assets			
Investments in subsidiaries	6	22,507,908	25,487,034
Current assets			
Debtors	7	14,913,343	14,913,343
Creditors amounts falling due within one year	8	(30,065,606)	(28,742,608)
Net current liabilities		(15,152,263)	(13,829,265)
Total assets less current liabilities		7,355,645	11,657,769
Creditors amounts falling due after more than one year	9	(14,699,974)	(14,699,974)
Net liabilities		(7,344,329)	(3,042,205)
Capital and reserves			
Equity share capital	10	98,400	98,400
Share premium account	11	885,600	885,600
Profit and loss account	11	(8,328,329)	(4,026,205)
Shareholders' deficit	12	(7,344,329)	(3,042,205)

The notes on pages 6 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 11 October 2011 and were signed on its behalf by

K Fleming
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards

The financial statements are prepared on a going concern basis notwithstanding net liabilities of £7,344,329

As at the balance sheet date The ADP Primary Care Services Group was funded through a mixture of loan notes, senior loan debt, an acquisition facility and a revolving credit facility as set out in more detail in note 16 of the financial statements of ADP Primary Care Services Limited of which ADP Holdings Limited is a cross guarantor and itself is funded through short term intercompany loans

Following the merger with IDH on 11 May 2011 all facilities were repaid and a new combined facility for the enlarged Group was entered into by a new acquisition company Turnstone Bidco 1 Limited. The directors have reviewed the financial position of the Company, including the unlimited cross guarantee banking arrangements with the new Group undertakings of which ADP Holdings Limited is a cross guarantor and itself is funded through short term intercompany loans. This includes reviewing the future cash projections of the enlarged Group to the financial period ending 30 April 2013. These projections show that all future lending obligations of the Group are met in full and in accordance with the lending covenants for the enlarged Group continues to be short term intercompany loans dependent on the overall group funding.

In addition, ADP No 1 Limited, Natural Management Limited, Community Dental Centres Limited, ADP Healthcare Acquisitions Limited and ADP Healthcare Services Limited have confirmed that it is not their current intention to demand repayment of any balances owed by the company for the foreseeable future except to the extent that such repayments can be made while the Company continues to settle its trading and non-trading liabilities in full, as they fall due for payments. Furthermore the new ultimate parent undertaking, Turnstone Equityco 1 Limited, which is incorporated in the United Kingdom, has undertaken to provide sufficient funds for the company, if needed, for the company to meet its liabilities as they fall due.

On the basis of their assessment of the company's financial position, enquiries made of the directors of Turnstone Equityco 1 Limited, and the other matters detailed above, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The company is by virtue of Section 400 of the Companies Act 2006 exempt from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of ADP Healthcare Acquisitions Limited, part of the ADP group of companies, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group. The ultimate parent company is ADP Primary Care Services Limited. The consolidated financial statements of ADP Primary Care Services Limited, within which the company is included, can be obtained from the address given in note 14.

Notes (continued)

1 Accounting policies (continued)

Investments

Shares in subsidiaries are valued at cost less provision for impairment

Taxation

The charge for tax is based on the results for the period and takes into account deferred tax. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen and not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the Company

Financial instruments issued by the company are treated as equity only to the extent that they meet the following conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of a company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges in these financial statements.

Notes (continued)

2 Loss on ordinary activities before taxation

Fees payable to the auditors by the Company of £1,300 (2010 £1,500) in respect of audit services were borne by fellow subsidiary ADP Dental Company Limited

3 Staff numbers and costs

The average number of persons employed by the company (all of whom are directors) during the year, analysed by category, was as follows

	Number of employees	
	Year ended 31 March 2011	Year ended 31 March 2010
Administration	5	5

During the year, no director received any emoluments (2010 £Nil) Directors were paid through ADP Dental Company Limited (2010 ADP Dental Company Limited)

4 Interest payable

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
On preference shares	1,322,998	1,322,998

Notes (continued)

5 Taxation

(a) Tax charge

There is no tax charge for the year

(b) Factors affecting the tax for the current year

The tax assessed for the year is higher (2010 higher) than the standard companies' rate of corporation tax in the UK 28% (2010 28%) The differences are explained below

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Loss on ordinary activities before tax	(4,302,124)	(1,336,927)
Current tax at 28% (2010 28%)	(1,204,595)	(374,340)
Effects of		
Permanent deductible expenses	834,155	3,900
Imputed interest payable on inter-company loans	(99,309)	-
Non-deductible preference dividend interest	370,440	370,440
Group relief surrendered	99,309	-
Current tax charge for the year	-	-

(c) Factors affecting the tax charge for future years

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011, and a further reduction to 26% in the rate applicable from 1 April 2011 was substantively enacted on 29 March 2011 This will reduce the company's future current tax charge accordingly and further reduce the deferred tax assets at 31 March 2011 (which has been calculated based on the rate of 27% substantively enacted at the balance sheet date)

The company has deferred tax assets which have not been recognised, due to the uncertainty of future profits, in relation to unrecognised losses carried forward £644,254 (2010 £693,812) The deferred tax assets have not been recognised because it is not possible that future taxable profit will be available against which the Group can utilise the benefits from

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets accordingly

6 Investments in subsidiaries

	Investments in subsidiary undertakings £
At 1 April 2010	25,487,034
Impairment	(2,979,126)
At 31 March 2011	22,507,908

Details of the company's principal subsidiaries are shown in note 13

Notes (continued)

6 Investments in subsidiaries (continued)

Impairment

During the year management conducted an impairment review of investments in subsidiaries. In anticipation of the market conditions, ADP Holdings Limited has decided to impair the investment.

The review indicated that the investment recoverable amount exceeded its carrying amount by £2,979,126 and consequently has been written down by this amount. The impairment loss has been recognised in stated financial caption within profit and loss account.

7 Debtors

	31 March 2011	31 March 2010
	£	£
Amounts owed by group undertakings	<u>14,913,343</u>	<u>14,913,343</u>

8 Creditors' amounts falling due within one year

	31 March 2011	31 March 2010
	£	£
Amounts owed to group undertakings	<u>30,065,606</u>	<u>28,742,608</u>

9 Creditors' amounts falling due after more than one year

	31 March 2011	31 March 2010
	£	£
Preference shares (note 10)	<u>14,699,974</u>	<u>14,699,974</u>

Included within the above are amounts falling due as follows

	31 March 2011	31 March 2010
	£	£
Over five years		
Preference shares (note 10)	<u>14,699,974</u>	<u>14,699,974</u>

Notes (continued)

10 Share capital

	31 March 2011 £	31 March 2010 £
Authorised		
Equity		
200,000 'A' Ordinary shares of 10p each	20,000	20,000
800,000 'B' Ordinary shares of 10p each	80,000	80,000
Non-Equity		
9,200,000 'A' Preference shares of £1 each	9,200,000	9,200,000
5,500,000 'B' Preference shares of £1 each	5,500,000	5,500,000
	14,800,000	14,800,000
Allotted, called up and fully/part paid		
Equity		
184,000 'A' Ordinary shares of 10p each fully paid	18,400	18,400
800,000 'B' Ordinary shares of 10p each	80,000	80,000
Non-Equity		
9,200,000 'A' Preference shares of £1 each	9,200,000	9,200,000
5,499,974 'B' Preference shares of £1 each	5,499,974	5,499,974
	14,798,374	14,798,374
Shares classified as liabilities	14,699,974	14,699,974
Shares classified as shareholders funds	98,400	98,400

Members holding one or more A Ordinary Share or B Ordinary Share shall have one vote for each A Ordinary Share or B Ordinary Share in the company of which he or it is a holder. The holders of the Preference Shares shall be entitled to receive notice of and to attend and speak at any general meeting of the company, but shall not be entitled to vote on any business at a general meeting.

The Preference Shares are entitled to a fixed cumulative preference dividend (the "Preference Dividend") at the Interest Rate of 9% per annum which shall be paid in half-yearly instalments on 1 December and 1 June in each year in respect of the six months ending on the preceding 31 May and 30 November respectively provided that the first Preference Dividend shall be payable on 1 June 2004 in respect of the period from the date on which the first Preference Shares become subscribed to 31 May 2004 and provided further that in respect of any Preference Share that has been in issue for less or more than the full six months preceding the relevant dividend payment date the relevant pro-rata amount shall be paid on the basis that the Preference Dividend accrues from day to day.

Notes (continued)

11 Reserves

	Share premium account £	Profit and loss account £
At 1 April 2010	885,600	(4,026,205)
Loss for the year	-	(4,302,124)
At 31 March 2011	885,600	(8,328,329)

12 Reconciliation of movements in shareholders' deficit

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Loss for the year	(4,302,124)	(1,336,927)
Net increase in shareholders' deficit	(4,302,124)	(1,336,927)
Opening shareholders' deficit	(3,042,205)	(1,705,278)
Closing shareholders' deficit	(7,344,329)	(3,042,205)

Notes (continued)

13 Principal subsidiaries

Company name	Country	Percentage shareholding	Description
ADP No 1 Limited	United Kingdom	100	++Intermediate holding and finance Company
ADP Dental Company Limited	United Kingdom	100	+ Principal dental operating Company
Natural Management Limited	United Kingdom	100	++Intermediate holding and finance Company
Community Dental Centres Limited	United Kingdom	100	* Dental operating Company
ADP Mansfield Limited	United Kingdom	100	** Dental operating Company
ADP Ashford Limited	United Kingdom	100	** Dental operating Company
My Dentist Limited	United Kingdom	100	++ Dormant Company
MyGP Limited	United Kingdom	100	++ Dormant Company
ADP Healthcare Limited	United Kingdom	100	++ Dormant Company
@TheDentist Limited	United Kingdom	100	** Dormant Company
OurDentist Limited	United Kingdom	100	** Dormant Company

++Direct subsidiary of the company

+ Direct subsidiary of ADP No 1 Limited

* Direct subsidiary of Natural Management Limited

** Direct subsidiary of ADP Dental Company Limited

14 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of ADP Healthcare Acquisitions Limited a company incorporated in the UK. The ultimate parent company is ADP Primary Care Services Limited. The consolidated accounts of this company are available to the public and may be obtained from the following address

ADP Primary Care Services Limited
 Wellington House
 17 Birkheads Road
 Reigate
 Surrey, RH2 0AU

15 Post balance sheet events

On 11 May 2011 ADP Primary Care Acquisitions Limited, an ADP group company, sold its investment in the ADP group of companies to new private equity investors. This deal merges ADP with the leading operator in the NHS dental care sector, IDH. The combined group will be the UK's largest private dental group consisting of 450 practices majority owned by the US private equity company, The Carlyle Group. The merger had been approved by the OFT subject to a small number of divestments.