IDH Finance plc

Quarterly Financial Report
3 months ended 30 September 2018

Contents

Presentation of financial data

This report summarises consolidated financial and operating data derived from the unaudited consolidated financial statements of Turnstone Midco 2 Limited, the parent company of IDH Finance plc. The summary financial information provided has been derived from our records for the three month accounting period to 30 September 2018 which are maintained in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). The interim results are not necessarily indicative of the results to be expected for the full year.

We have presented certain non-IFRS information in this quarterly report. This information includes "EBITDA" and other measures derived therefrom, including EBITDA before non-underlying items, which represents earnings before interest, tax, depreciation, amortisation, impairment and other non-underlying items. Our management believes metrics derived from EBITDA are meaningful for investors because they provide an analysis of our operating results, profitability and ability to service debt. Measures derived from EBITDA are also used by management to track our business development, establish operational and strategic targets and make important business decisions. EBITDA is the measure commonly used by investors and other interested parties in our industry.

Comparative information has been provided for the quarter ended 30 September 2017 as restated for the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers". More information is provided in Note 2 to the Unaudited Condensed Interim Consolidated Financial Statements and a reconciliation to previously reported information is provided as Appendix A. Information presented in this report and described as like-for-like excludes any practices or other operating units trading in the group in the current financial year or the year ended 31 March 2018 but not in both.

References to "Integrated Dental Holdings", "IDH" and "the group" refer to Turnstone Midco 2 Limited and all of its subsidiaries.

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Summary highlights

- Revenue for the three months ended 30 September 2018 ("Q2 FY19") of £139.3m, which was 2.2% lower than the three months ended 30 September 2017 ("Q2 FY18").
- Q2 FY19 like-for-like private revenue growth per working day of 4.7%. Year to date growth is 5.2%.
- Q2 FY19 gross margin percentage of 44.6% an increase of 0.5% from 44.1% in Q2 FY18.
- Overheads, excluding depreciation, goodwill amortisation and non-underlying items, as a percentage of revenue were 35.1%, compared to 35.0% in Q2 FY18.
- EBITDA before non-underlying items for the three months ended 30 September 2018 of £13.6m (9.8% of revenue), 0.8% ahead of the three months to 30 September 2017 (£13.5m, 9.5% of revenue).
- Like-for-like UDA delivery per working day down 2.3% year-on-year for the year to date and 3.3% for the quarter.
- LTM EBITDA of £55.3m; and estimated pro-forma adjusted LTM EBITDA of £57.3m.
- Ten loss making dental practices were closed or sold during the quarter through the ongoing portfolio review – total practices at 30 September 2018 were 625.
- Cash generated from operations of £16.6m (Q2 FY18: £21.5m).
- Maintenance capital expenditure for the quarter ended 30 September 2018 was £6.3m.
- Cash conversion after working capital and maintenance capital expenditure was 82.0%.
- Cash and cash equivalents at 30 September 2018 of £11.3m and net debt was £537.6m.
- Gearing levels are 9.71 times and 9.38 times LTM EBITDA and estimated pro-forma adjusted LTM EBITDA respectively.

- The adoption of IFRS 15 Revenue from contracts with customers has resulted in a £0.2m reduction in previously reported EBITDA for Q2 FY18. This results from a change in the timing of the recognition of revenue for NHS orthodontic contracts. The full year effect of the change is £nil. Further information is provided in note 2 and Appendix A to the condensed interim consolidated financial statements.
- The adoption of IFRS 9 Financial instruments has no material impact on previously reported results.

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

Overview

Integrated Dental Holdings ("IDH") announces its results for the quarter ended 30 September 2018.

IDH is the leading provider of dental services in the United Kingdom and, through mydentist, operates a network of 625 dental practices across England, Scotland, Wales and Northern Ireland.

mydentist's core business is the provision of primary care dental services on behalf of the NHS. The majority of dental practices also provide private dentistry services including general dentistry, hygienist and cosmetic services. A number of our practices also provide specialist and advanced services such as treatment under sedation, dental implants and orthodontics.

In addition, the group's Dental Directory business is a leading provider of materials, equipment and services to dental practices across the UK and Ireland.

Commentary on results

The following discussion of IDH's financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes contained in this interim report.

The key performance indicators for the group for the four quarters from 1 July 2017 to 30 June 2018 and for the quarter ended 30 September 2018 are provided below:

Key performance indicators	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Revenue (£m)	142.4	148.5	149.3	142.4	139.3
EBITDA (£m)	13.5	14.7	14.8	12.2	13.6
LTM EBITDA (£m)	59.5	57.4	55.1	55.2	55.3
Operating loss (£m)	(70.0)	(12.8)	(6.6)	(17.1)	(1.5)
NHS dentistry services as a percentage of dental practice revenue	78.4%	78.7%	79.2%	77.5%	77.2%
Private dentistry services as a percentage of dental practice revenue	21.6%	21.3%	20.8%	22.5%	22.8%
Non-dental practice revenue as a percentage of group revenue	18.6%	19.3%	20.0%	19.8%	19.2%
Like-for-like private revenue growth	7.1%	5.6%	2.6%	7.2%	4.7%
Like-for-like private revenue growth per working day	8.8%	5.6%	4.2%	5.5%	4.7%
Gross profit margin %	44.1%	42.3%	43.7%	44.2%	44.6%
Overheads as a percentage of revenue	35.0%	32.8%	34.2%	36.0%	35.1%
EBITDA margin %	9.5%	9.9%	9.9%	8.6%	9.8%
Number of dental practices	661	654	643	635	625
Maintenance capital expenditure (£m)	3.7	3.8	7.3	4.8	6.3
Cash conversion after maintenance capital expenditure %	140.4%	46.7%	99.7%	68.4%	82.0%
Estimated pro-forma adjusted EBITDA (£m)	61.4	59.5	57.3	57.6	57.3

(1) Indicators for the three quarters from 1 July 2017 to 31 March 2018 have been restated following the adoption of IFRS 9 and IFRS 15.

During the quarter, we closed or sold ten loss making dental practices for a total of 625 dental practices in our estate as at 30 September 2018 (30 September 2017: 661).

Revenue

Group revenue decreased by £3.1m, or 2.2%, from £142.4m for the three month period ended 30 September 2017 ("Q2 FY18") to £139.3m for the three month period to 30 September 2018 ("Q2 FY19").

mydentist revenue decreased by £3.7m from £116.9m to £113.1m. However, £1.9m of this decrease relates to practices either sold or closed during the last year.

Revenue from Dental Directory, after the elimination of intragroup trading, increased by £0.7m from £25.5m in Q2 FY18 to £26.1m in Q2 FY19.

Group revenue	Q2 FY19	Q2 FY18	Movement
	£'000	£'000	£'000
Total dental practices	112,131	113,562	(1,431)
Practice disposals	435	2,314	(1,879)
Non-dental practice revenue	578	1,016	(438)
Total mydentist revenue	113,144	116,892	(3,748)
Dental Directory revenue	26,133	25,472	661
Group revenue	139,277	142,364	(3,087)

*Q2 FY18 restated

NHS revenue

NHS revenue for the quarter ended 30 September 2018 was £86.9m, a decrease of £3.9m or 4.3% from £90.8m in Q2 FY18.

NHS revenue generated from base dental practices, excluding disposals, decreased from £89.0m to £86.5m. This decrease is mainly due to a fall in like for like UDA delivery of 3.3%. We continue to see some encouraging signs in operational indicators for productivity and efficiency. The average number of UDAs claimed per hour is up, diary utilisation is up and did not attends are down. However we continue to look for developments in chair occupancy and diary hours to improve our overall productive capacity.

The annual NHS dentistry contract rate uplift for England was announced on 24 July 2018 as a 3% increase in expenses backdated to 1 April 2018, followed by a 2% increase in dentist fees and staff costs with effect from 1 October 2018. These elements feed into a formula for calculating the overall uplift which we expect to lead to a 1.0% uplift in contract value from 1 April 2018 and 2.3% from 1 October 2018. This would lead to a blended overall increase for the year of c1.7%.

Private revenue

Private revenue for the quarter ended 30 September 2018 was £25.6m, 2.3% higher than £25.0m for the equivalent period in FY18.

Private sales excluding disposals increased by £1.0m. Private revenue growth continues to reflect the range of treatment options available to our patients.

Dental Directory revenue

Revenue of £26.1m (Q2 FY18: £25.5m) after the elimination of intersegment trading has been generated from the business units across the Dental Directory division. BF Mulholland Limited, which was acquired in Q3 FY18, contributed additional sales of £1.5m in the quarter. Sales in the underlying business have reduced by £0.8m as new management have reviewed low margin promotional activity and focussed on making improvements in customer service including delivery.

Non-dental practice revenue

Non-dental practice revenue in the mydentist segment is generated by the laboratories providing services to dental practices across the country. Revenue for the quarter ended 30 September 2018 was £0.6m (net of eliminations). The laboratory operated by PDS Dental Laboratory Leeds was sold on 4 October 2018.

Cost of sales

Gross margin for the quarter ended 30 September 2018 was 44.6%, a 0.5% increase from 44.1% in the quarter ended 30 September 2017. mydentist gross margin for Q2 FY19 was 48.3% (Q2 FY18: 47.2%) and gross margin in Dental Directory was 26.8% (Q2 FY18: 27.6%).

Cost of sales decreased by £2.4m, or 3.0%, from £79.6m to £77.2m for the quarter ended 30 September 2018. The decrease reflects the lower revenue generated in mydentist as well as improvement in gross margin.

The improvement in mydentist gross margin reflects savings in dentist's fees, materials and laboratory costs. In particular, locum costs were £0.6m lower than Q2 FY18, due to control of locum UDA rates and a reduction in the volume of UDA's delivered by locums.

The reduction in Dental Directory gross margin results from changes in sales mix. New management are currently reviewing operational processes and procedures to improve margin performance.

Overheads

Overheads, including administrative expenses, distribution costs, amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £64.0m for Q2 FY19, a decrease of £69.4m from £133.4m in the three months to 30 September 2017. The decrease is principally due to the intangible asset impairment charges of £69.6m recognised in Q2 FY18.

Overheads excluding amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £48.9, £0.9m lower than Q2 FY18 (£49.8m).

The group's largest overhead is the cost of staff working in dental practices, in operational management and at the divisional support centres. In the quarter ended 30 September 2018, staff costs were £33.9m, an increase of £1.0m from £32.9m in Q2 FY18.

Rent expense for the quarter was £3.8m, 2.7% of revenue and in line with Q2 FY18.

Dental equipment and practice property maintenance costs for Q2 FY19 were £2.6m, £0.9m lower than Q2 FY18.

Other operating income

Other operating income for the three months ended 30 September 2018 was £0.5m. Other operating income includes contractual support received from Scottish Health Boards to assist in the upkeep of our Scottish dental practices (based on the proportion of NHS treatment carried out by each practice) and property rental income.

Other gains

Other gains include net realised and unrealised foreign exchange gains and losses arising in Dental Directory, principally in relation to foreign exchange forward contracts. These contracts are used to hedge the cash impact of a proportion of the cost of goods purchased in Euros and US Dollars.

EBITDA before non-underlying items

Earnings before interest, tax, depreciation, amortisation and non-underlying items for the three months ended 30 September 2018 was £13.6m.

Non-underlying items

In Q2 FY19, 10 practices have been closed or sold and a decision was made to retain 2 practices previously for sale resulting in 19 practices held for sale at 30 September 2018. The closures or sales during Q2 FY19 and adjustments made to the realisable value of the remaining assets held for sale has resulted in a charge to the income statement of £1.0m, which is included within non-underlying items.

Other non-underlying items of £0.8m principally relate to leadership team changes.

Year to date performance

In the six months to 30 September 2018, revenue decreased by 0.4% from £282.8m to £281.7m. This decrease principally reflects disposals and a 2.3% like for like fall in UDA delivery, partially offset by the NHS contract uplift and continued growth in private dentistry revenues.

Group revenue	YTD 2019	YTD 2018	Movement
	£'000	£'000	£'000
Total dental practices	225,755	224,192	1,563
Practice disposals	1,120	4,897	(3,777)
Non-dental practice revenue	1,275	2,176	(901)
Total mydentist revenue	228,150	231,265	(3,115)
Dental Directory revenue	53,568	51,507	2,061
Group revenue	281,718	282,772	(1,054)

EBITDA before exceptional items for the year to date was £25.8m.

Estimated pro-forma adjusted LTM EBITDA

	£'000
LTM EBITDA before exceptional items at 30 September 2018	55,336
Estimated adjusted EBITDA of BF Mulholland Limited at 30 September 2018	106
EBITDA from disposals completed by 30 September - add back trading losses in LTM EBITDA	1,527
EBITDA from practices earmarked for disposal at 30 September - add back trading losses in LTM EBITDA	310
Estimated pro-forma adjusted EBITDA	57,279

Estimated pro-forma adjusted LTM EBITDA has been calculated following the methodology set out in the IDH Finance plc Offering Memorandum dated 22 July 2016.

The estimated adjusted EBITDA for acquired businesses are management estimates for the annual EBITDA of an acquired business less the actual results consolidated in LTM EBITDA from the date of acquisition. The EBITDA from disposals adds back trading losses incurred in the last twelve months in practices closed or disposed of in the period from 1 October 2017 to 30 September 2018 and those practices currently held for sale.

Finance costs

Finance costs of £10.8m in Q2 FY19 include £10.0m in respect of the £275.0m Senior Secured Fixed Rate Notes, £150.0m Senior Secured Floating Rate Notes and £130.0m Second Lien Notes. A further £0.8m relates to the amortisation of debt arrangement fees and non-utilisation fees and interest payable in respect of the Super Senior Revolving Credit Facility (“SSRCF”).

Debt and liquidity

At 30 September 2018, net debt was £537.6m, compared to £533.2m at 30 June 2018. This increase principally reflects a decrease in cash for the period and amortisation of facility arrangement fees and issue discounts.

Net cash flow for the quarter was an outflow of £3.8m. This arises from cash generated from operating activities of £16.6m and net proceeds from the sale of dental practices of £0.4m, offset by expenditure of £14.4m for the servicing of finance and capital expenditure of £6.3m.

Working capital movements

Cash generated from operations decreased from £21.5m in Q2 FY18 to £16.6m in Q2 FY19 due to an increase in inventories and trade receivables.

Capital expenditure

Capital expenditure for Q2 FY19 was £6.3m (Q2 FY18: £3.9m). This related entirely to “maintenance” capital expenditure.

Cash conversion

Cash conversion is measured as the ratio of EBITDA to cash generated from operations less maintenance capital expenditure and for the quarter was 82.0% compared to 140.4% in the corresponding quarter in FY18 (as restated for the adoption of IFRS 15).

Cash conversion excluding working capital movements was 54.1% (restated Q2 FY18: 72.3%).

Acquisitions

Acquisitions capital expenditure in the quarter of £0.1m related to contingent consideration in respect of acquisitions completed in previous years.

Risk factors

The latest opportunity and risk position of the group is detailed in the Annual Report to bondholders for Turnstone Midco 2 Limited for the year ended 31 March 2018.

Post balance sheet events

Andrew Burgess and Karthic Jayaraman resigned as Directors of Turnstone Midco 2 Limited, IDH Finance Plc and certain other group subsidiaries with effect from 19 October 2018.

Jean Bonnavion resigned as a Director of Turnstone Midco 2 Limited, IDH Finance Plc and certain other group subsidiaries with effect from 24 October 2018.

Each Director remains on the board of the ultimate parent company Turnstone Equityco 1 Limited.

These resignations were effected to align the Directorships of representatives of Carlyle and Palamon with the respective investor policies on representation across portfolio company boards.

Turnstone Midco 2 Limited

Condensed interim consolidated financial statements – Unaudited

Quarter ended 30 September 2018

Consolidated income statement (unaudited)

For the quarter ended 30 September 2018 (Q2 2018 restated)

	Note	Q2 2019 £'000	Q2 2018 £'000
Revenue	*4*	139,277	142,364
Cost of sales		(77,208)	(79,586)
Gross profit	*4*	62,069	62,778
Distribution costs		(4,494)	(4,287)
Administrative expenses		(59,543)	(129,140)
Other operating income		473	511
Other gains		3	89
Operating loss	*4*	(1,492)	(70,049)
EBITDA before non-underlying items	*4*	13,616	13,507
Amortisation of intangible assets		(7,705)	(7,971)
Depreciation		(5,318)	(5,389)
Amortisation of government grant income		14	14
Impairment of intangible assets		-	(61,315)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		(984)	(8,303)
Value of employee services arising from shares granted		(269)	-
Other non-underlying items		(849)	(681)
Foreign exchange losses		3	89
Operating loss	*4*	(1,492)	(70,049)
Finance costs		(10,815)	(10,650)
Finance income		11	2
Net finance costs		(10,804)	(10,648)
Loss before income tax	*4*	(12,296)	(80,697)
Income tax credit	*5*	1,422	2,763
Loss for the period		(10,874)	(77,934)
Attributable to:			
Owners of the parent		(10,889)	(77,949)
Non-controlling interests		15	15
		(10,874)	(77,934)

There are no items of other comprehensive income during the current or previous period other than those stated above and therefore no separate statement of comprehensive income has been presented.

The comparative information for the quarter ended 30 September 2017 has been restated to reflect the adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers with effect from 1 April 2017. The impact of the adoption of these standards on the loss for the period and on the Consolidated Balance sheet is set out in Appendix A to these statements.

Consolidated income statement (unaudited)

For the six months ended 30 September 2018 (YTD 2018 restated)

	Note	YTD 2019 £'000	YTD 2018 £'000
Revenue	4	281,718	282,772
Cost of sales		(156,689)	(158,183)
Gross profit	4	125,029	124,589
Distribution costs		(8,995)	(8,494)
Administrative expenses		(135,724)	(198,773)
Other operating income		996	1,036
Other gains		89	221
Operating loss	4	(18,605)	(81,421)
EBITDA before non-underlying items	4	25,836	25,615
Amortisation of intangible assets		(15,549)	(16,193)
Depreciation		(10,667)	(10,816)
Amortisation of government grant income		28	28
Impairment of intangible assets		-	(61,315)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		(16,062)	(18,016)
Value of employee services arising from shares granted		(538)	-
Other non-underlying items		(1,742)	(945)
Foreign exchange gains		89	221
Operating loss	4	(18,605)	(81,421)
Finance costs		(21,570)	(21,660)
Finance income		20	497
Net finance costs		(21,550)	(21,163)
Loss before income tax	4	(40,155)	(102,584)
Income tax credit	5	4,249	5,411
Loss for the period		(35,906)	(97,173)
Attributable to:			
Owners of the parent		(35,933)	(97,186)
Non-controlling interests		27	13
		(35,906)	(97,173)

There are no items of other comprehensive income during the current or previous period other than those stated above and therefore no separate statement of comprehensive income has been presented.

The comparative information for the six months ended 30 September 2017 has been restated to reflect the adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers with effect from 1 April 2017. The impact of the adoption of these standards on the loss for the period and on the Consolidated Balance sheet is set out in Appendix A to these statements.

Consolidated balance sheet (unaudited)

At 30 September 2018 (Q2 2018 restated)

	Note	Q2 2019 £'000	Q2 2018 £'000
Non-current assets			
Goodwill		240,582	249,184
Other intangible assets		350,806	396,755
Property, plant and equipment		93,172	93,467
Deferred tax income tax assets		18,262	14,764
		702,822	754,170
Current assets			
Inventories		25,732	22,877
Trade and other receivables		46,705	44,518
Current income tax		-	128
Derivative financial instruments		5	7
Cash and cash equivalents		11,328	15,089
		83,770	82,619
Assets classified as held for sale		1,606	3,382
Total assets		788,198	840,171
Equity attributable to the owners of the parent			
Share capital		410,961	410,961
Accumulated losses		(368,273)	(298,305)
		42,688	112,656
Non-controlling interest		-	114
Total equity		42,688	112,770
Non-current liabilities			
Borrowings	*7*	548,909	541,404
Other payables	*6*	2,252	880
Deferred income tax liabilities		34,297	40,544
Post employment benefits		517	321
Provisions		7,018	6,424
Total non-current liabilities		592,993	589,573
Current liabilities			
Trade and other payables	*6*	150,465	136,267
Current income tax		127	2
Provisions		1,925	1,529
Derivative financial instruments		-	30
Total current liabilities		152,517	137,828
Total liabilities		745,510	727,401
Total equity and liabilities		788,198	840,171

Consolidated statement of changes in equity (unaudited)

For the quarter ended 30 September 2018 (Q2 2018 restated)

Q2 2019	Share capital	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of the period	410,961	(357,766)	53,195	145	53,340
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(10,889)	(10,889)	15	(10,874)
Transactions with owners recognised directly in equity					
Value of employee services arising from shares granted to directors and employees	-	269	269	-	269
Deferred tax in relation to the above	-	(47)	(47)	-	(47)
Total transactions with owners	-	222	222	-	222
Changes in ownership interests					
Minority interests acquired through business combinations	-	160	160	(160)	-
Balance at end of the period	410,961	(368,273)	42,688	-	42,688

Q2 2018	Share capital	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of the period	410,961	(220,356)	190,605	99	190,704
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(77,949)	(77,949)	15	(77,934)
Balance at end of the period	410,961	(298,305)	112,656	114	112,770

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 September 2018 (YTD 2018 restated)

	YTD 2019				
	Share capital	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of the period	410,961	(332,946)	78,015	133	78,148
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(35,933)	(35,933)	27	(35,906)
Transactions with owners recognised directly in equity					
Value of employee services arising from shares granted to directors and employees	-	538	538	-	538
Deferred tax in relation to the above	-	(92)	(92)	-	(92)
Total transactions with owners	-	446	446	-	446
Changes in ownership interests					
Minority interests acquired through business combinations	-	160	160	(160)	-
Balance at end of the period	410,961	(368,273)	42,688	-	42,688

	YTD 2018				
	Share capital	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of the period	410,961	(201,119)	209,842	101	209,943
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(97,186)	(97,186)	13	(97,173)
Balance at end of the period	410,961	(298,305)	112,656	114	112,770

Consolidated cash flow statement (unaudited)

For the quarter ended 30 September 2018 (Q2 2018 restated)

	Q2 2019 £'000	Q2 2018 £'000
Cash flows from operating activities		
Loss before taxation	(12,296)	(80,697)
Depreciation of property, plant and equipment	5,318	5,389
Amortisation of government grants	(14)	(14)
Amortisation of intangible assets	7,705	7,971
Finance costs	10,815	10,650
Finance income	(11)	(2)
Loss on business and asset disposals	984	8,332
Impairment of intangible assets	-	61,315
Differences between contingent consideration paid and initial estimates	(20)	(178)
Net unrealised foreign exchange losses	62	190
Value of employee services arising from shares granted to directors and employees	269	-
Cash generated from operations before movements in working capital	12,812	12,956
Changes in working capital		
Movement in inventories	(1,233)	115
Movement in trade and other receivables	(2,538)	251
Movement in trade and other payables	7,742	8,561
Movement in provisions	(212)	(354)
Cash generated from operations	16,571	21,529
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(63)	(1,452)
Proceeds from sale of practices	397	341
Purchase of property, plant and equipment	(6,253)	(3,860)
Interest received	11	2
Net cash outflow from investing activities	(5,908)	(4,969)
Cash flows from financing activities		
Drawdown of bank loans	-	-
Repayment of bank loans	-	-
Bank and bond interest paid	(14,414)	(14,237)
Net cash outflow from financing activities	(14,414)	(14,237)
Net (decrease)/increase in cash and cash equivalents	(3,751)	2,323
Cash and cash equivalents at the beginning of the period	15,079	12,766
Cash and cash equivalents at the end of the period	11,328	15,089

Consolidated cash flow statement (unaudited)

For the six months ended 30 September 2018 (YTD 2018 restated)

	YTD 2019 £'000	YTD 2018 £'000
Cash flows from operating activities		
Loss before taxation	(40,155)	(102,584)
Depreciation of property, plant and equipment	10,667	10,816
Amortisation of government grants	(28)	(28)
Amortisation of intangible assets	15,549	16,193
Finance costs	21,570	21,660
Finance income	(20)	(497)
Loss on business and asset disposals	16,062	18,045
Impairment of intangible assets	-	61,315
Differences between contingent consideration paid and initial estimates	(20)	(126)
Net unrealised foreign exchange losses	(172)	(113)
Value of employee services arising from shares granted to directors and employees	538	-
Cash generated from operations before movements in working capital	23,991	24,681
Changes in working capital		
Movement in inventories	(4,577)	(3,367)
Movement in trade and other receivables	(5,484)	(3,437)
Movement in trade and other payables	15,426	17,507
Movement in provisions	(506)	(699)
Cash generated from operations	28,850	34,685
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(3,607)	(4,259)
Proceeds from sale of practices	956	430
Purchase of property, plant and equipment	(11,021)	(8,040)
Interest received	20	4
Net cash outflow from investing activities	(13,652)	(11,865)
Cash flows from financing activities		
Drawdown of bank loans	-	10,000
Repayment of bank loans	-	(10,000)
Bank and bond interest paid	(20,062)	(20,324)
Net cash outflow from financing activities	(20,062)	(20,324)
Net increase in cash and cash equivalents	(4,864)	2,496
Cash and cash equivalents at the beginning of the period	16,192	12,593
Cash and cash equivalents at the end of the period	11,328	15,089

Reconciliation of net cash flow to movement in net debt (unaudited)

For the quarter ended 30 September 2018

	Q2 FY19	Q2 FY18
	£'000	£'000
(Decrease)/increase in cash for the period	(3,751)	2,323
Amortisation of loan arrangement fees	(633)	(618)
Total non-cash movement in net debt	(633)	(618)
Total movement in net debt	(4,384)	1,705
Net debt brought forward	(533,197)	(528,020)
Net debt carried forward	(537,581)	(526,315)

Reconciliation of net cash flow to movement in net debt (unaudited)

For the six months ended 30 September 2018

	YTD 2019	YTD 2018
	£'000	£'000
(Decrease)/increase in cash for the period	(4,864)	2,496
Drawdown of bank loans	-	(10,000)
Repayment of bank loans	-	10,000
Total cash movement in net debt	(4,864)	2,496
Amortisation of loan arrangement fees	(1,268)	(1,238)
Total non-cash movement in net debt	(1,268)	(1,238)
Total movement in net debt	(6,132)	1,258
Net debt brought forward	(531,449)	(527,573)
Net debt carried forward	(537,581)	(526,315)

Notes

Forming part of the financial statements

1 General information and basis of preparation

Turnstone Midco 2 Limited (the "company", and with its subsidiaries, the "group") is a company registered in England. It is the parent company of IDH Finance plc (the "issuer"). The company is 100% owned by Turnstone Midco 1 Limited and the ultimate UK parent company is Turnstone Equityco 1 Limited.

The condensed interim consolidated financial statements (the 'interim financial statements') of the company have been prepared for the quarter ended 30 September 2018. Comparative results are provided for the quarter ended 30 September 2017.

The interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and, specifically, IAS 34 'Interim Financial Reporting'. The interim financial statements are presented in thousands of pounds sterling (£'000's) except where otherwise stated. Pounds sterling is the functional currency of both Turnstone Midco 2 Limited and Turnstone Equityco 1 Limited.

The content of this report does not constitute statutory financial statements and is unaudited.

These interim financial statements do not include all of the disclosure information required in annual financial statements prepared in accordance with IFRS and should therefore be read in conjunction with the consolidated financial statements of Turnstone Midco 2 Limited and Turnstone Equityco 1 Limited for the year ended 31 March 2018, both of which are available from our website, www.mydentist.co.uk.

2 Significant accounting policies

The interim financial statements have been prepared on the basis of the accounting policies set out in the 2018 annual report and consolidated financial statements for Turnstone Midco 2 Limited and Turnstone Equityco 1 Limited with the exception of certain changes required following the adoption of IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from contracts with customers ("IFRS 15").

In accordance with the implementation timetable included in the standards, the group has adopted IFRS 9 and IFRS 15 with effect from 1 April 2017. The results for the three months to 30 September 2017, Q2 FY18, and for the six months to 30 September 2017, YTD FY18, have therefore been restated. The impact of the adjustments on the Consolidated income statement, the Consolidated balance sheet and the Consolidated cash flow statement are set out in Appendix A.

IFRS 9 Financial Instruments

The group has classified its financial assets and liabilities in line with the new assessment processes. There were no changes made to the classification of the group's financial assets and liabilities from this adoption.

From 1 April 2017, the group has implemented an expected credit loss model for financial assets. For trade receivables, our methodology has been updated to consider expected losses based on historical experience and an ageing profile. The adoption of the expected loss approach has not resulted in a material change in the impairment position.

Notes

Forming part of the financial statements

IFRS 15 Revenue from contracts with customers

The group has reviewed each type of contractual arrangement with its customers in order to identify the point of recognition across all revenue streams. On an annual basis, the group's revenue recognition policies and procedures are in line with IFRS 15 and there are no changes required to previously reported annual revenue.

On a quarterly basis, the review identified that revenue arising from contracts for NHS orthodontic treatment would be recognised at the point the claim for payment is made rather than over the course of the treatment. The effect of the adjustment is to change the timing of revenue recognition within the year with some revenue moving from Q1 and Q2 into Q3 and Q4.

a) 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.

b) Foreign currency translation

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement within other gains or losses.

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 or losses.

Notes

Forming part of the financial statements

c) 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 – Business Combinations (Revised) ('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.

d) 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.

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.

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

Notes

Forming part of the financial statements

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 ('UDAs') 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.

e) 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.

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, CGU's 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 CGU's 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.

Notes

Forming part of the financial statements

f) Derivative financial instruments

The group's activities expose it to the financial risks resulting from fluctuations in interest rates and foreign exchange rates.

From time-to-time, the group may use 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.

The group does not hedge account for any derivative financial instruments.

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.

g) 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. Amounts received from the NHS in advance of dental activity delivered are held on the balance sheet within deferred income. Revenue from all private dental work and NHS patients in Scotland and Northern Ireland is recognised based upon the completion of each piece of treatment carried out, with the exception of private orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment. Revenue from NHS orthodontic treatments is recognised at the point where a claim can be submitted for payment.

Revenue from the sale of goods by Dental Directory is recognised upon despatch and revenue generated from the installation or repair of equipment, or from other services, is recognised upon completion of the service.

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.

h) 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.

Notes

Forming part of the financial statements

i) 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.

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.

Notes

Forming part of the financial statements

3 Critical accounting judgements and estimates *(continued)*

(a) Critical judgements

Impairment of goodwill and other intangibles

Determining whether goodwill or other intangible assets are impaired requires an annual estimation of the value in use of the CGU's 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. Impairment reviews are conducted annually at 31 March each year, and at interim reporting dates if management consider that indicators of potential impairment exist.

No indicators of impairment to the mydentist or Dental Directory CGU's have been identified by management during Q2 FY19.

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, including any deferred income tax element. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, or where deferred tax estimates are revised, the difference will be charged or credited to the income statement in the period in which it is determined.

Assets held for sale

Following a dental practice portfolio review, which remains ongoing, management have taken the decision to market certain dental practices for sale. As a result, the assets associated with these dental practices have been reclassified as held for sale. Assets held for sale are measured at the lower of their carrying amount and fair value less costs for sale. Accordingly, judgement is required in assessing the expected recoverable amount. Furthermore, in reclassifying these assets as held for sale, management have judged that a sale within a period of one year is highly probable.

(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.

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.

Notes

Forming part of the financial statements

4 Segment reporting

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 mydentist and Dental Directory.

Through mydentist, the group is the leading provider of dental services in the United Kingdom. mydentist owns and manages a national chain of dental practices with 625 sites at 30 September 2018 (30 September 2017: 661).

Dental Directory, which principally comprises Billericay Dental Supply Co. Limited, along with a number of smaller businesses, provides a range of products and services to the dental and wider healthcare sectors, including to mydentist. Sales to mydentist are carried out on an arms-length basis.

From 1 April 2018, the management of the group's dental laboratories moved from the Dental Directory sector team to the mydentist team. The segmental analysis for Q2 FY18 and YTD FY18 has been restated to reflect this change in reporting to the Executive Management team and revenue from the laboratories is shown as "non-dental practice revenue" in the mydentist segment.

All services are provided in the United Kingdom.

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

Q2 FY19	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	86,949	-	-	86,949
Private dentistry	25,617	-	-	25,617
Non-dental practice revenue	578	33,154	(7,021)	26,711
Total revenue	113,144	33,154	(7,021)	139,277
Gross profit	54,599	8,874	(1,404)	62,069
Gross margin	*48.3%*	*26.8%*		*44.6%*
Overheads	(42,432)	(7,621)	1,127	(48,926)
Overheads % of revenue	*37.5%*	*23.0%*		*35.1%*
Other income	473	-	-	473
EBITDA before non-underlying items	12,640	1,253	(277)	13,616
EBITDA margin	*11.2%*	*3.8%*		*9.8%*
Amortisation of intangible assets	(6,853)	(852)	-	(7,705)
Depreciation	(4,925)	(483)	90	(5,318)
Amortisation of government grant income	14	-	-	14
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(984)	-	-	(984)
Value of employee services arising from shares granted	(269)	-	-	(269)
Other non-underlying items	(278)	(571)	-	(849)
Foreign exchange gains	-	3	-	3
Segment operating profit/(loss)	(655)	(650)	(187)	(1,492)
Net finance costs				(10,804)
Loss before income tax				(12,296)
Segment assets	681,604	109,726	(3,132)	788,198
Segment liabilities	(177,110)	(116,193)	(452,207)	(745,510)
Additions in the period				
Goodwill	-	127	-	127
Property, plant and equipment	6,558	460	(274)	6,744

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

Q2 FY18	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	90,831	-	-	90,831
Private dentistry	25,045	-	-	25,045
Non-dental practice revenue	1,016	33,027	(7,555)	26,488
Total revenue	116,892	33,027	(7,555)	142,364
Gross profit	55,197	9,122	(1,541)	62,778
Gross margin	*47.2%*	*27.6%*		*44.1%*
Overheads	(44,010)	(7,170)	1,398	(49,782)
Overheads % of revenue	*37.7%*	*21.7%*		*35.0%*
Other income	511	-	-	511
EBITDA before non-underlying items	11,698	1,952	(143)	13,507
EBITDA margin	*10.0%*	*5.9%*		*9.5%*
Amortisation of intangible assets	(7,137)	(834)	-	(7,971)
Depreciation	(4,847)	(610)	68	(5,389)
Amortisation of government grant income	14	-	-	14
Impairment of intangible assets	(61,315)	-	-	(61,315)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(8,303)	-	-	(8,303)
Other non-underlying items	(316)	(365)	-	(681)
Foreign exchange losses	-	89	-	89
Segment operating profit/(loss)	(70,206)	232	(75)	(70,049)
Net finance costs				(10,648)
Loss before income tax				(80,697)
Segment assets	737,172	106,025	(3,026)	840,171
Segment liabilities	(168,417)	(104,951)	(454,033)	(727,401)

*Q2 FY18 restated

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

YTD 2019	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	175,564	-	-	175,564
Private dentistry	51,311	-	-	51,311
Non-dental practice revenue	1,275	67,629	(14,061)	54,843
Total revenue	228,150	67,629	(14,061)	281,718
Gross profit	110,286	17,752	(3,009)	125,029
Gross margin	*48.3%*	*26.2%*		*44.4%*
Overheads	(86,599)	(16,034)	2,444	(100,189)
Overheads % of revenue	*38.0%*	*23.7%*		*35.6%*
Other income	996	-	-	996
EBITDA before non-underlying items	24,683	1,718	(565)	25,836
EBITDA margin	*10.8%*	*2.5%*		*9.2%*
Amortisation of intangible assets	(13,845)	(1,704)	-	(15,549)
Depreciation	(9,862)	(977)	172	(10,667)
Amortisation of government grant income	28	-	-	28
Impairment of intangible assets	-	-	-	-
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(16,062)	-	-	(16,062)
Value of employee services arising from shares granted	(538)	-	-	(538)
Other non-underlying items	(306)	(1,436)	-	(1,742)
Foreign exchange gains	-	89	-	89
Segment operating profit/(loss)	(15,902)	(2,310)	(393)	(18,605)
Net finance costs				(21,550)
Loss before income tax				(40,155)
Segment assets	681,604	109,726	(3,132)	788,198
Segment liabilities	(177,110)	(116,193)	(452,207)	(745,510)
Additions in the period				
Goodwill		200	-	200
Property, plant and equipment	12,592	871	(562)	12,901

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

YTD 2018	mydentist £'000	Dental Directory £'000	Central costs and intra-segment eliminations £'000	Total £'000
Revenue				
NHS dentistry	179,558	-	-	179,558
Private dentistry	49,531	-	-	49,531
Non-dental practice revenue	2,176	65,992	(14,485)	53,683
Total revenue	231,265	65,992	(14,485)	282,772
Gross profit	108,815	18,430	(2,656)	124,589
Gross margin	*47.1%*	*27.9%*		*44.1%*
Overheads	(87,715)	(14,732)	2,437	(100,010)
Overheads % of revenue	*37.9%*	*22.3%*		*35.4%*
Other income	1,036	-	-	1,036
EBITDA before non-underlying items	22,136	3,698	(219)	25,615
EBITDA margin	*9.6%*	*5.6%*		*9.1%*
Amortisation of intangible assets	(14,525)	(1,668)	-	(16,193)
Depreciation	(9,759)	(1,189)	132	(10,816)
Amortisation of government grant income	28	-	-	28
Impairment of intangible assets	(61,315)	-	-	(61,315)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(18,016)	-	-	(18,016)
Other non-underlying items	(425)	(520)	-	(945)
Foreign exchange gains	-	221	-	221
Segment operating profit/(loss)	(81,876)	542	(87)	(81,421)
Net finance costs				(21,163)
Loss before income tax				(102,584)
Segment assets	737,172	106,025	(3,026)	840,171
Segment liabilities	(168,417)	(104,951)	(454,033)	(727,401)
Additions in the period				
Goodwill	1,040	(139)	-	901
Other intangible assets	817	54	-	871
Property, plant and equipment	7,068	1,039	(269)	7,838

*YTD FY18 restated

Notes

Forming part of the financial statements

5 Taxation

	Q2 2019 £'000	Q2 2018 £'000
Current income tax		
Current income tax for the period	-	-
Total current income tax	-	-
Deferred income tax		
Origin and reversal of temporary differences	(1,422)	(2,763)
Total deferred income tax	(1,422)	(2,763)
Total income tax credit	(1,422)	(2,763)

	YTD 2019 £'000	YTD 2018 £'000
Current income tax		
Current income tax for the period	-	(1)
Total current income tax	-	(1)
Deferred income tax		
Origin and reversal of temporary differences	(4,249)	(5,410)
Impact of change in tax rate	-	-
Total deferred income tax	(4,249)	(5,410)
Total income tax credit	(4,249)	(5,411)

The main rate of corporation tax reduced from 20% to 19% with effect from 1 April 2017. A further reduction in the main rate of corporation tax to 17% from 1 April 2020 was substantively enacted on 15 September 2016 and both the deferred income tax asset and liability have been re-measured accordingly.

Notes

Forming part of the financial statements

6 Trade and other payables

	Q2 2019 £'000	Q2 2018 £'000
Current		
Trade payables	19,128	17,845
Accruals and deferred income	127,165	113,685
Other taxation and social security	3,184	3,377
Contingent consideration	932	1,305
Government grants	56	55
	150,465	136,267
Non-current		
Contingent consideration	2,130	702
Government grants	122	178
	2,252	880

*Q2 2018 restated

Contingent consideration is due to the vendors of individual acquired practices.

Included within accruals and deferred income is an amount due to the NHS of £85.3m in respect of UDA's not delivered in FY19 and earlier years (Q2 FY18: £70.3m) along with fees of £19.2m payable to self-employed dentists in respect of work completed (Q2 FY18: £22.4m).

7 Borrowings

	Q2 2019 £'000	Q2 2018 £'000
Non-current		
Senior secured, floating rate and second lien notes		
Due between two and five years	551,379	424,396
Due after five years	-	126,208
	551,379	550,604
Bank loans		
Due between two and five years	5,000	-
Less: unamortised arrangement fees and related costs	(7,470)	(9,200)
Total non-current loans and borrowings	548,909	541,404

On 5 August 2016, the group re-financed its existing notes and drawings from its Super Senior Revolving Credit Facility through the issue of:

- £275m of 6.25% Senior Secured Fixed Rate Notes due 2022 at 100%;
- £150m of Senior Secured Fixed Rate Notes due 2022. The notes are set at a floating rate of GBP LIBOR (set at a minimum of 0%) plus 6% each quarter;
- £130m of Second Lien Notes due 2023. The Second Lien Notes are set at a floating rate of GBP LIBOR (set at a minimum of 1%) plus 8%;

A new £100m Super Senior Revolving Credit Facility ("SSRCF") was agreed with an interest charge of GBP LIBOR plus 3.5%.

Appendix A

Reconciliation between results reported under previous IFRS and restated results following the adoption of IFRS 9 and IFRS 15.

The tables on the following pages set out the impact of the adoption of IFRS 9 and IFRS 15 on the Consolidated income statement for the quarters ended 30 September 2017 and 30 September 2018, the Consolidated income statement for the six months ended 30 September 2017 and 30 September 2018, the Consolidated balance sheet as at the transition date of 1 April 2017 and as at 30 September 2017 and 30 September 2018.

A restated consolidated cash flow statement has not been included as the cash generated from operations has not been changed.

Consolidated income statement (unaudited)

For the quarter ended 30 September 2018

	Q2 2019		Q2 2019	Q2 2018		Q2 2018
	Previous IFRS	IFRS 15	As reported	As previously reported	IFRS 15	As restated
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	139,258	19	139,277	142,662	(298)	142,364
Cost of sales	(77,200)	(8)	(77,208)	(79,724)	138	(79,586)
Gross profit	62,058	11	62,069	62,938	(160)	62,778
Distribution costs	(4,494)		(4,494)	(4,287)		(4,287)
Administrative expenses	(59,543)		(59,543)	(129,140)		(129,140)
Other operating income	473		473	511		511
Other losses	3		3	89		89
Operating loss	(1,503)	11	(1,492)	(69,889)	(160)	(70,049)
EBITDA before non-underlying items	13,605	11	13,616	13,667	(160)	13,507
Amortisation of intangible assets	(7,705)		(7,705)	(7,971)		(7,971)
Depreciation	(5,318)		(5,318)	(5,389)		(5,389)
Amortisation of government grant income	14		14	14		14
Impairment of intangible assets	-		-	(61,315)		(61,315)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(984)		(984)	(8,303)		(8,303)
Value of employee services arising from shares granted	(269)		(269)	-		-
Other non-underlying items	(849)		(849)	(681)		(681)
Foreign exchange losses	3		3	89		89
Operating loss	(1,503)	11	(1,492)	(69,889)	(160)	(70,049)
Finance costs	(10,815)		(10,815)	(10,650)		(10,650)
Finance income	11		11	2		2
Net finance costs	(10,804)	-	(10,804)	(10,648)	-	(10,648)
Loss before income tax	(12,307)	11	(12,296)	(80,537)	(160)	(80,697)
Income tax credit	1,422		1,422	2,763		2,763
Loss for the period	(10,885)	11	(10,874)	(77,774)	(160)	(77,934)
Attributable to:						
Owners of the parent	(10,900)	11	(10,889)	(77,789)	(160)	(77,949)
Non-controlling interests	15		15	15		15
	(10,885)	11	(10,874)	(77,774)	(160)	(77,934)

Appendix A

Reconciliation between results reported under previous IFRS and restated results following the adoption of IFRS 9 and IFRS 15.

Consolidated income statement (unaudited)

For the Six months ended 30 September 2018

	YTD 2019		*YTD 2019*	*YTD 2018*		*YTD 2018*
	Previous IFRS	*IFRS 15*	*As reported*	*As previously reported*	*IFRS 15*	*As restated*
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	282,870	(1,152)	281,718	284,311	(1,539)	282,772
Cost of sales	(157,208)	519	(156,689)	(158,879)	696	(158,183)
Gross profit	125,662	(633)	125,029	125,432	(843)	124,589
Distribution costs	(8,995)		(8,995)	(8,494)		(8,494)
Administrative expenses	(135,724)		(135,724)	(198,773)		(198,773)
Other operating income	996		996	1,036		1,036
Other losses	89		89	221		221
Operating loss	(17,972)	(633)	(18,605)	(80,578)	(843)	(81,421)
EBITDA before non-underlying items	26,469	(633)	25,836	26,458	(843)	25,615
Amortisation of intangible assets	(15,549)		(15,549)	(16,193)		(16,193)
Depreciation	(10,667)		(10,667)	(10,816)		(10,816)
Amortisation of government grant income	28		28	28		28
Impairment of intangible assets	-		-	(61,315)		(61,315)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(16,062)		(16,062)	(18,016)		(18,016)
Value of employee services arising from shares granted	(538)		(538)	-		-
Other non-underlying items	(1,742)		(1,742)	(945)		(945)
Foreign exchange losses	89		89	221		221
Operating loss	(17,972)	(633)	(18,605)	(80,578)	(843)	(81,421)
Finance costs	(21,570)		(21,570)	(21,660)		(21,660)
Finance income	20		20	497		497
Net finance costs	(21,550)	-	(21,550)	(21,163)	-	(21,163)
Loss before income tax	(39,522)	(633)	(40,155)	(101,741)	(843)	(102,584)
Income tax credit	4,249		4,249	5,411		5,411
Loss for the period	(35,273)	(633)	(35,906)	(96,330)	(843)	(97,173)
Attributable to:						
Owners of the parent	(35,300)	(633)	(35,933)	(96,343)	(843)	(97,186)
Non-controlling interests	27		27	13		13
	(35,273)	(633)	(35,906)	(96,330)	(843)	(97,173)

Appendix A

Reconciliation between results reported under previous IFRS and restated results following the adoption of IFRS 9 and IFRS 15.

Balance Sheet (unaudited)

As at 30 September 2018

	Q2 2019				*Q2 2018*				*As at 1 April 2017*		
	Previous IFRS	*IFRS 9*	*IFRS 15*	*As reported*	*As previously reported*	*IFRS 9*	*IFRS 15*	*As restated*	*As previously reported*	*IFRS 9*	*As restated*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets											
Goodwill	240,582			240,582	249,184			249,184	317,664		317,664
Other intangible assets	350,806			350,806	396,755			396,755	422,843		422,843
Property, plant and equipment	93,172			93,172	93,467			93,467	98,796		98,796
Deferred tax income tax assets	18,256	6		18,262	14,758	6		14,764	12,753	6	12,759
	702,816	6	-	702,822	754,164	6	-	754,170	852,056	6	852,062
Current assets											
Inventories	25,732			25,732	22,877			22,877	19,709		19,709
Trade and other receivables	46,738	(33)		46,705	44,551	(33)		44,518	41,484	(33)	41,451
Current income tax	-			-	128			128	-		-
Derivative financial instruments	5			5	7			7	7		7
Cash and cash equivalents	11,328			11,328	15,089			15,089	12,593		12,593
	83,803	(33)	-	83,770	82,652	(33)	-	82,619	73,793	(33)	73,760
Assets classified as held for sale	1,606			1,606	3,382			3,382	265		265
Total assets	788,225	(27)	-	788,198	840,198	(27)	-	840,171	926,114	(27)	926,087
Equity attributable to the owners of the parent											
Share capital	410,961			410,961	410,961			410,961	410,961		410,961
Accumulated losses	(367,613)	(27)	(633)	(368,273)	(297,431)	(27)	(847)	(298,305)	(201,092)	(27)	(201,119)
	43,348	(27)	(633)	42,688	113,530	(27)	(847)	112,656	209,869	(27)	209,842
Non-controlling interest	-			-	114			114	101		101
Total equity	43,348	(27)	(633)	42,688	113,644	(27)	(847)	112,770	209,970	(27)	209,943
Non-current liabilities											
Borrowings	548,909			548,909	541,404			541,404	540,166		540,166
Other payables	2,252			2,252	880			880	1,237		1,237
Deferred income tax liabilities	34,297			34,297	40,544			40,544	43,801		43,801
Post employment benefits	517			517	321			321	321		321
Provisions	7,018			7,018	6,424			6,424	6,964		6,964
Total non-current liabilities	592,993	-	-	592,993	589,573	-	-	589,573	592,489	-	592,489
Current liabilities											
Trade and other payables	149,832		633	150,465	135,420		847	136,267	121,246		121,246
Current income tax	127			127	2			2	237		237
Provisions	1,925			1,925	1,529			1,529	1,536		1,536
Derivative financial instruments	-			-	30			30	636		636
Total current liabilities	151,884	-	633	152,517	136,981	-	847	137,828	123,655	-	123,655
Total liabilities	744,877	-	633	745,510	726,554	-	847	727,401	716,144	-	716,144
Total equity and liabilities	788,225	(27)	-	788,198	840,198	(27)	-	840,171	926,114	(27)	926,087