IDH Finance plc

Quarterly Financial Report
3 months ended 31 December 2017

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 31 December 2017 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 31 December 2016 and for the nine months ended 31 December 2016. 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 2017 but not in both.

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

DISCLAIMER

THIS DOCUMENT HAS BEEN PREPARED BY TURNSTONE MIDCO 2 LIMITED AND IDH FINANCE PLC. BY REVIEWING THIS DOCUMENT OR PARTICIPATING ON THE CONFERENCE CALL THAT PRESENTS IT, YOU AGREE TO BE BOUND BY THE FOLLOWING CONDITIONS.

THIS DOCUMENT IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN TURNSTONE MIDCO 2 LIMITED OR IDH FINANCE PLC. FURTHERMORE IT DOES NOT CONSTITUTE A RECOMMENDATION BY TURNSTONE MIDCO 2 LIMITED OR ANY OTHER PARTY TO SELL OR BUY SECURITIES IN TURNSTONE MIDCO 2 LIMITED OR ANY OTHER SECURITIES. ALL WRITTEN OR ORAL FORWARD LOOKING STATEMENTS ATTRIBUTABLE TO TURNSTONE MIDCO 2 LIMITED, IDH FINANCE PLC, OR PERSONS ACTING ON THEIR BEHALF ARE QUALIFIED IN THEIR ENTIRITY BY THESE CAUTIONARY STATEMENTS.

Summary highlights

- Revenue for the three months ended 31 December 2017 (“Q3 FY18”) of £147.9m, which was 1.0% lower than the three months ended 31 December 2016 (“Q3 FY17”), predominantly due to lower Unit of Dental Activity (“UDA”) delivery in mydentist, partially offset by growth in private dentistry and Dental Directory revenues.
- Q3 FY18 like-for-like private revenue growth of 5.6%.
- Q3 FY18 gross margin percentage of 42.3% compared to 43.7% in Q3 FY17.
- Overheads, excluding depreciation, goodwill amortisation and non-underlying items, as a percentage of revenue were 32.9%, compared to 32.8% in Q3 FY17.
- EBITDA before non-underlying items for the three months ended 31 December 2017 of £14.4m (9.7% of revenue), 14.4% behind the three months to 31 December 2016 (£16.8m, 11.3% of revenue).
- Like-for-like UDA delivery per working day down 5.8% year-on-year, for the quarter.
- LTM EBITDA of £57.9m; and estimated pro-forma adjusted LTM EBITDA of £59.5m.
- Seven loss making dental practices were closed or sold during the quarter through the ongoing portfolio review – total practices at 31 December 2017 were 654.
- Acquisition related expenditure of £4.5m includes the acquisition of BF Mulholland Limited, a Northern Irish dental supplies business, acquired in October 2017. This acquisition was financed by a £5m drawdown from the Super Senior Revolving Credit Facility (‘SSRCF’).
- Cash generated from operations of £9.7m (Q3 FY17: £7.7m).
- Maintenance capital expenditure for the quarter ended 31 December 2017 was £3.8m.
- Normalised cash conversion adjusting for one-off items in working capital and maintenance capital expenditure was 49.4%.
- Cash and cash equivalents at 31 December 2017 of £16.1m and net debt was £531.0m.
- Gearing levels are 9.16 times and 8.92 times LTM EBITDA and estimated pro-forma adjusted LTM EBITDA respectively.

- Three senior management appointments with Omar Shafi Khan (Chief Financial Officer) and Steve Melton (mydentist Managing Director) joining the group in October 2017, and Dr Julian Perry joining the group as Group Commercial Director in January 2018.

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

Overview

Integrated Dental Holdings ("IDH") announces its results for the quarter ended 31 December 2017.

IDH is the leading provider of dental services in the United Kingdom and, through mydentist, operates a network of 654 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 October 2016 to 30 September 2017 and for the quarter ended 31 December 2017 are provided below:

Key performance indicators		Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Revenue (£m)		149.4	150.9	141.6	142.7	147.9
EBITDA (£m)		16.8	17.1	12.8	13.7	14.4
LTM EBITDA (£m)		72.5	68.8	63.5	60.4	57.9
Operating loss (£m)		(13.4)	(14.3)	(10.7)	(69.9)	(13.1)
NHS dentistry services as a percentage of revenue		64.9%	65.1%	63.5%	63.9%	63.4%
Private dentistry services as a percentage of revenue		16.3%	16.3%	17.3%	17.6%	17.3%
Dental Directory as a percentage of revenue		18.8%	18.6%	19.2%	18.5%	19.3%
Like-for-like private revenue growth		6.2%	8.0%	3.8%	7.1%	5.6%
Gross profit margin %		43.7%	43.8%	44.1%	44.1%	42.3%
Overheads as a percentage of revenue		32.8%	32.7%	35.5%	34.9%	32.9%
EBITDA margin %		11.3%	11.3%	9.0%	9.6%	9.7%
Number of dental practices		677	674	672	661	654
Maintenance capital expenditure (£m)		3.2	3.9	4.1	3.7	3.8
Cash conversion after maintenance capital expenditure %	(1)	36.1%	108.5%	95.9%	138.7%	47.7%
Estimated pro-forma adjusted EBITDA (£m)		75.5	70.3	64.6	61.4	59.5

(1) Normalised cash conversion, after adjusting for one-off items in working capital and maintenance capital expenditure in Q3 FY18 was 49.4% (Q3 FY17: 37.6%).

During the quarter, we closed or sold seven loss making dental practices for a total of 654 dental practices in our estate as at 31 December 2017 (31 December 2016: 677).

Revenue

Group revenue decreased by £1.5m, or 1.0%, from £149.4m for the three month period ended 31 December 2016 ("Q3 FY17") to £147.9m for the three month period to 31 December 2017 ("Q3 FY18").

mydentist revenue decreased by £2.0m from £121.3m to £119.3m. There were the same number of trading days in Q3 FY18 and the equivalent period in FY17.

Revenue from Dental Directory, after the elimination of intragroup trading, increased by £0.5m from £28.1m in Q3 FY17 to £28.6m in Q3 FY18.

Group revenue	Q3 2018 £'000	Q3 2017 £'000	Movement £'000
Practices owned as at 1 April 2016	117,677	118,987	(1,310)
Practice disposals	97	1,138	(1,041)
Practices acquired or opened:			
During the 12 months ended 31 March 2017	1,261	1,145	116
During the 9 months ended 31 December 2017	242	-	242
Total mydentist revenue	119,277	121,270	(1,993)
Dental Directory revenue	28,642	28,147	495
Group revenue	147,919	149,417	(1,498)

Revenue of £1.5m was contributed by the six practices acquired during the period 1 April 2016 to 31 March 2017 ("FY17 acquisitions") and the one practice acquired during FY18 ("FY18 acquisition)". This represents an increase of £0.4m over the £1.1m contributed by the six practices acquired in the nine months ended 31 December 2016.

NHS revenue

NHS revenue for the quarter ended 31 December 2017 was £93.7m, a decrease of £3.2m or 3.3% from £96.9m in Q3 FY17. An additional £0.3m of revenue was generated by FY17 and FY18 acquisitions.

NHS revenue generated from practices owned at 1 April 2016, excluding disposals, reduced from £95.0m to £92.3m. The decrease is principally due to a lower level of UDA delivery in the quarter when compared to FY17. The continuing lower level of UDA delivery is disappointing and, as outlined previously, is the result of a reduction in the number of hours dentists are making themselves available for NHS work, a reduction in the volume of contracted UDA's held by individual dentists and the influence of private growth due to patient choice.

Over the financial year, we have seen an increase in the total number of contracted clinicians by a net 165. This is as a result of the actions taken by management to accelerate clinician recruitment both from UK and overseas channels. However, clinicians new to the country are subject to some regulatory restrictions on the amount of UDA's they can perform in their first year. As these new clinicians settle in and their productivity starts to increase, we expect the decline in UDA delivery we have experienced to start to reverse as we go into FY19.

We have continued to see well-attended resourcing days both across the UK and overseas and expect that the trend of increasing the number of contracted clinicians will continue. However, as we have outlined previously, with regulatory and registration requirements it can take between six to nine months for a clinician position to be filled. Clinician turnover remains at low levels of less than 10% per annum.

The decrease in revenue is partially offset by the annual NHS dentistry contract rate uplifts effective from 1 April 2017 of 1.14% in England, 1.44% in Wales and 2.25% in Scotland.

Private revenue

Private revenue for the quarter ended 31 December 2017 was £25.5m, 4.9% higher than £24.3m for the equivalent period in FY17.

Like-for-like practices increased private sales by £1.3m, or 5.6%. Private revenue growth continues to reflect the range of treatment options available to our patients, such as hygiene, in addition to certain price increases.

Dental Directory revenue

Revenue of £28.6m (Q3 FY17: £28.1m) has been generated from the business units across the Dental Directory division. BF Mulholland Limited has contributed sales of £1.1m in the quarter. Sales in the underlying business have reduced by £0.6m reflecting larger one-off sales to health authority and wholesale customers in Q3 FY17, partially offset by continued growth in sales to high street and corporate customers.

Cost of sales

Gross margin for the quarter ended 31 December 2017 was 42.3% a 1.4% decrease from 43.7% in the quarter ended 31 December 2016. mydentist gross margin for Q3 FY18 was 47.2% (Q3 FY17: 46.1%) and gross margin in Dental Directory was 27.5% (Q3 FY17: 29.4%).

Cost of sales increased by £1.2m, or 1.4%, from £84.2m to £85.4m for the quarter ended 31 December 2017. The increase reflects the combined impact of revenue growth and lower gross margins within Dental Directory, partially offset by lower cost of sales within mydentist.

mydentist gross margin has improved from 46.1% in Q3 FY17 to 47.2% in Q3 FY18. This reflects savings in both dentists fees and materials, offset by a slight increase in laboratory costs. In particular, locum costs were £0.4m lower than Q3 FY17, principally due to better control of locum UDA rates, in addition to a small reduction in the volume of UDA's delivered by locums.

The reduction in Dental Directory gross margin results both from a change in sales mix, with higher sales of lower margin products such as facial aesthetics, and a continuation of the increase in the cost of goods sold following the decline in the value of Sterling against the Euro. The foreign exchange impact continues to be partially mitigated by market based reviews of pricing.

Further exchange rate volatility could have an impact on the cost of sales of Dental Directory as c.40% of the division's purchases are made on a wholesale basis mainly in Euros or, to a lesser extent, in US Dollars.

Overheads

Overheads, including administrative expenses, distribution costs, amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £76.1m for Q3 FY18, a decrease of £2.7m from £78.8m in the three months to 31 December 2016. The decrease is principally due to the lower level of impairment and disposal charges recognised in Q3 FY18 (£12.7m) compared with Q3 FY17 (£17.0m).

Overheads excluding amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £48.6m, in line with Q3 FY17 (£48.9m).

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 31 December 2017, staff costs were £33.8m, an increase of £1.3m from £32.5m in Q3 FY17.

Rent expense for the quarter was £3.8m, 2.6% of revenue and in line with Q3 FY17.

Dental equipment and practice property maintenance costs for Q3 FY18 were £2.7m, in line with Q3 FY17.

Other operating income

Other operating income for the three months ended 31 December 2017 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 losses

Other losses include net realised and unrealised foreign exchange gains and losses arising in Dental Directory, principally in relation to foreign exchange forward contracts, which 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 31 December 2017 was £14.4m.

Non-underlying items

The mydentist practice portfolio review has so far identified approximately 50 practices which are no longer considered to be economically viable. The decision has therefore been taken to either close or market these practices for sale, with 21 practices having been closed or sold as of 31 December 2017. Sales completions or closures are expected for the remaining sites in Q4 FY18 and early FY19. As a result, the group has written down the carrying value of the assets associated with these practices to their recoverable amount and reclassified those assets as held for sale. The additional sites earmarked for closure or sale during Q3 FY18 have resulted in a charge to the income statement of £9.6m, which is included within non-underlying items. The portfolio review will continue to review the status of practices across the estate.

Other non-underlying items of £1.3m principally relate to leadership team changes and professional charges for the strategic review.

Year to date performance

In the nine months to 31 December 2017, revenue decreased by 0.6% from £434.9m to £432.2m. This decrease principally reflects a decline in NHS revenues and the impact of practice disposals, partially offset by revenue growth within Dental Directory and continued growth in private dentistry revenues.

Revenue generated from dental practices owned at 1 April 2016 has decreased by £9.3m reflecting a £13.3m reduction in NHS revenue offset by a £4.0m increase in private dentistry revenue.

Group revenue	YTD 2018	YTD 2017	Movement
	£'000	£'000	£'000
Practices owned as at 1 April 2016	344,012	353,281	(9,269)
Practice disposals	1,423	3,326	(1,903)
Practices acquired or opened:			
During the 12 months ended 31 March 2017	3,806	1,542	2,264
During the 9 months ended 31 December 2017	668	-	668
Total mydentist revenue	349,909	358,149	(8,240)
Dental Directory revenue	82,321	76,738	5,583
Group revenue	432,230	434,887	(2,657)

EBITDA before exceptional items for the year to date was £40.9m.

Estimated pro-forma adjusted LTM EBITDA

	£'000
LTM EBITDA before exceptional items at 31 December 2017	57,941
Estimated adjusted EBITDA of acquired dental practices at 31 December 2017	63
Estimated adjusted EBITDA of BF Mulholland Limited at 31 December 2017	602
EBITDA from disposals - add back trading losses in LTM EBITDA	901
Estimated pro-forma adjusted EBITDA	59,507

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 January 2017 to 31 December 2017.

Finance costs

Finance costs of £10.7m in Q3 FY18 include £9.8m 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”). The remaining £0.1m arises from the unwinding of discount in respect of contingent consideration and certain provisions which are expected to be settled in future periods.

Debt and liquidity

At 31 December 2017, net debt was £531.0m, compared to £526.3m at 30 September 2017. This increase principally reflects a drawdown from the SSRCF.

Net cash flow for the quarter was an inflow of £1.0m. This arises from cash generated from operating activities of £9.7m and net proceeds from the sale of dental practices of £0.2m, offset by expenditure of £5.6m for the servicing of finance and capital expenditure of £3.8m. In addition, an outflow of £4.5m arose from the acquisition of BF Mulholland Limited, which was financed by a £5.0m drawdown from the previously undrawn SSRCF.

Working capital movements

Cash generated from operations increased from £7.7m in Q3 FY17 to £9.7m principally due to an increase in trade payables within Dental Directory and other smaller favourable working capital movements when compared to Q3 FY17.

Capital expenditure

Capital expenditure for Q3 FY18 was £3.8m. 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 47.7% compared to 36.1% in the corresponding quarter in FY17.

Cash conversion excluding working capital movements was 73.8% (Q3 FY17: 80.9%).

Acquisitions

Acquisitions capital expenditure in the quarter of £4.5m is primarily in respect of the acquisition of BF Mulholland Limited in October 2017. Small amounts of contingent consideration were also settled in respect of acquisitions completed in previous years.

Changes to the senior management team

As previously announced, Omar Shafi Khan was appointed Chief Financial Officer of the group in October 2017 and joined the board of Turnstone Midco 2 Limited and IDH Finance plc during Q3.

Steve Melton, former Chief Executive Officer of Circle Holdings, Europe’s largest co-owned hospital group, also joined the group in October 2017 as Managing Director of the mydentist division.

Dr Julian Perry, formerly Group Clinical Director and Director of Acquisitions for Oasis Dental Care, now part of Bupa, joined the group as Group Commercial Director on 1 January 2018.

Risk factors

The latest opportunity and risk position of the group is detailed in the Annual Report to bondholders for Turnstone Midco 2 for the year ended 31 March 2017.

Turnstone Midco 2 Limited

Condensed interim consolidated financial statements – Unaudited

Quarter ended 31 December 2017

Consolidated income statement (unaudited)

For the quarter ended 31 December 2017

	Note	Q3 2018 £'000	Q3 2017 £'000
Revenue	*4*	147,919	149,417
Cost of sales		(85,382)	(84,190)
Gross profit	*4*	62,537	65,227
Distribution costs		(4,384)	(4,240)
Administrative expenses		(71,700)	(74,604)
Other operating income		492	532
Other losses		(28)	(278)
Operating loss	*4*	(13,083)	(13,363)
EBITDA before non-underlying items	*4*	14,404	16,822
Amortisation of intangible assets		(8,010)	(8,227)
Depreciation		(5,438)	(5,230)
Amortisation of government grant income		14	14
Impairment of intangible assets		(3,080)	(17,000)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		(9,621)	-
Other non-underlying items		(1,324)	536
Foreign exchange losses		(28)	(278)
Operating loss	*4*	(13,083)	(13,363)
Finance costs		(10,658)	(11,133)
Finance income		5	516
Net finance costs		(10,653)	(10,617)
Loss before income tax	*4*	(23,736)	(23,980)
Income tax credit	*5*	3,064	2,024
Loss for the period		(20,672)	(21,956)
Attributable to:			
Owners of the parent		(20,677)	(21,973)
Non-controlling interests		5	17
		(20,672)	(21,956)

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.

Consolidated income statement (unaudited)

For the nine months ended 31 December 2017

	Note	YTD 2018 £'000	YTD 2017 £'000
Revenue	*4*	432,230	434,887
Cost of sales		(244,257)	(239,940)
Gross profit	*4*	187,973	194,947
Distribution costs		(12,878)	(12,688)
Administrative expenses		(270,473)	(192,484)
Other operating income		1,528	1,555
Other gains		193	231
Operating loss	*4*	(93,657)	(8,439)
EBITDA before non-underlying items	*4*	40,866	51,734
Amortisation of intangible assets		(24,203)	(24,557)
Depreciation		(16,254)	(15,445)
Amortisation of government grant income		42	47
Impairment of intangible assets		(64,395)	(17,000)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		(27,637)	-
Other non-underlying items		(2,269)	(3,449)
Foreign exchange gains		193	231
Operating loss	*4*	(93,657)	(8,439)
Finance costs		(32,318)	(44,957)
Finance income		502	1,091
Net finance costs		(31,816)	(43,866)
Loss before income tax	*4*	(125,473)	(52,305)
Income tax credit	*5*	8,475	7,927
Loss for the period		(116,998)	(44,378)
Attributable to:			
Owners of the parent		(117,016)	(44,380)
Non-controlling interests		18	2
		(116,998)	(44,378)

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.

Consolidated balance sheet (unaudited)

At 31 December 2017

	Note	Q3 2018 £'000	Q3 2017 £'000
Non-current assets			
Goodwill	*8*	248,308	330,915
Other intangible assets	*8*	382,880	432,423
Property, plant and equipment		90,758	99,745
Deferred tax income tax assets		15,692	11,636
		737,638	874,719
Current assets			
Inventories		25,544	22,909
Trade and other receivables		41,911	45,491
Current income tax		128	-
Derivative financial instruments		25	41
Cash and cash equivalents		16,066	9,863
		83,674	78,304
Assets classified as held for sale		4,418	812
Total assets		825,730	953,835
Equity attributable to the owners of the parent			
Share capital		410,961	410,961
Accumulated losses		(318,108)	(179,284)
		92,853	231,677
Non-controlling interest		119	91
Total equity		92,972	231,768
Non-current liabilities			
Borrowings	*7*	547,023	539,552
Other payables	*6*	2,594	1,306
Deferred income tax liabilities		38,744	46,005
Post employment benefits		321	-
Provisions		6,313	6,879
Total non-current liabilities		594,995	593,742
Current liabilities			
Trade and other payables	*6*	135,979	125,251
Current income tax		2	280
Provisions		1,764	1,582
Derivative financial instruments		18	1,212
Total current liabilities		137,763	128,325
Total liabilities		732,758	722,067
Total equity and liabilities		825,730	953,835

Consolidated statement of changes in equity (unaudited)

For the quarter ended 31 December 2017

	Q3 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	(297,431)	113,530	114	113,644
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(20,677)	(20,677)	5	(20,672)
Balance at end of the period	410,961	(318,108)	92,853	119	92,972

	Q3 2017				
	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	(157,311)	253,650	74	253,724
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(21,973)	(21,973)	17	(21,956)
Balance at end of the period	410,961	(179,284)	231,677	91	231,768

Consolidated statement of changes in equity (unaudited)

For the nine months ended 31 December 2017

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	(201,092)	209,869	101	209,970
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(117,016)	(117,016)	18	(116,998)
Balance at end of the period	410,961	(318,108)	92,853	119	92,972

YTD 2017	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	(134,904)	276,057	89	276,146
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(44,380)	(44,380)	2	(44,378)
Balance at end of the period	410,961	(179,284)	231,677	91	231,768

Consolidated cash flow statement (unaudited)

For the quarter ended 31 December 2017

	Q3 2018 £'000	Q3 2017 £'000
Cash flows from operating activities		
Loss before taxation	(23,736)	(23,980)
Depreciation of property, plant and equipment	5,438	5,230
Amortisation of government grants	(14)	(14)
Amortisation of intangible assets	8,010	8,227
Finance costs	10,658	11,133
Finance income	(5)	(516)
Loss on business and asset disposals	9,608	-
Impairment of intangible assets	3,080	17,000
Differences between contingent consideration paid and initial estimates	(55)	(1,832)
Net unrealised foreign exchange (gains)/losses	(30)	760
Cash generated from operations before movements in working capital	12,954	16,008
Changes in working capital		
Movement in inventories	(2,209)	(1,485)
Movement in trade and other receivables	3,564	779
Movement in trade and other payables	(4,151)	(7,299)
Movement in provisions	(443)	(344)
Net cash inflow from operating activities	9,715	7,659
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(4,520)	(3,523)
Purchase of property, plant and equipment	(3,799)	(3,478)
Purchase of freehold property held for sale	-	(322)
Proceeds from business and asset disposals	223	-
Interest received	5	2
Net cash outflow from investing activities	(8,091)	(7,319)
Cash flows from financing activities		
Drawdown of bank loans	5,000	-
Arrangement fees and associated professional costs	-	(1,735)
Bank and bond interest paid	(5,647)	(6,758)
Net cash outflow from financing activities	(647)	(8,493)
Net increase/(decrease) in cash and cash equivalents	977	(8,153)
Cash and cash equivalents at the beginning of the period	15,089	18,016
Cash and cash equivalents at the end of the period	16,066	9,863

Consolidated cash flow statement (unaudited)

For the nine months ended 31 December 2017

	YTD 2018 £'000	YTD 2017 £'000
Cash flows from operating activities		
Loss before taxation	(125,473)	(52,305)
Depreciation of property, plant and equipment	16,254	15,445
Amortisation of government grants	(42)	(47)
Amortisation of intangible assets	24,203	24,557
Finance costs	32,318	44,957
Finance income	(502)	(1,091)
Loss on business and asset disposals	27,653	2
Impairment of intangible assets	64,395	17,000
Differences between contingent consideration paid and initial estimates	(181)	(1,986)
Net unrealised foreign exchange (gains)/losses	(143)	866
Cash generated from operations before movements in working capital	38,482	47,398
Changes in working capital		
Movement in inventories	(5,576)	(2,473)
Movement in trade and other receivables	127	1,727
Movement in trade and other payables	12,509	5,160
Movement in provisions	(1,142)	(1,054)
Net cash inflow from operating activities	44,400	50,758
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(8,779)	(9,749)
Purchase of property, plant and equipment	(11,839)	(15,630)
Purchase of freehold property held for sale	-	(547)
Proceeds from business and asset disposals	653	(1)
Government grants received	-	2
Interest received	9	10
Net cash outflow from investing activities	(19,956)	(25,915)
Cash flows from financing activities		
Drawdown of bank loans	15,000	-
Repayment of bank loans	(10,000)	(39,000)
Proceeds from issue of notes	-	49,700
Arrangement fees and associated professional costs	-	(17,343)
Bank and bond interest paid	(25,971)	(23,279)
Net cash outflow from financing activities	(20,971)	(29,922)
Net increase/(decrease) in cash and cash equivalents	3,473	(5,079)
Cash and cash equivalents at the beginning of the period	12,593	14,942
Cash and cash equivalents at the end of the period	16,066	9,863

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

For the quarter ended 31 December 2017

	Q3 2018 £'000	Q3 2017 £'000
Increase/(decrease) in cash for the period	977	(8,153)
Drawdown of bank loans	(5,000)	-
Debt issue costs	-	1,735
Total cash movement in net debt	(4,023)	(6,418)
Other non-cash movements in net debt	-	(1,900)
Amortisation of loan arrangement fees	(619)	(600)
Total non-cash movement in net debt	(619)	(2,500)
Total movement in net debt	(4,642)	(8,918)
Net debt brought forward	(526,315)	(520,771)
Net debt carried forward	(530,957)	(529,689)

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

For the nine months ended 31 December 2017

	YTD 2018 £'000	YTD 2017 £'000
Increase/(decrease) in cash for the period	3,473	(5,079)
Drawdown of bank loans	(15,000)	-
Repayment of bank loans	10,000	39,000
Issue of high yield bonds	-	(549,700)
Redemption of high yield bonds	-	500,000
Debt issue costs	-	11,155
Total cash movement in net debt	(1,527)	(4,624)
Other non-cash movements in net debt	-	(6,292)
Amortisation of loan arrangement fees	(1,857)	(1,847)
Total non-cash movement in net debt	(1,857)	(8,139)
Total movement in net debt	(3,384)	(12,763)
Net debt brought forward	(527,573)	(516,926)
Net debt carried forward	(530,957)	(529,689)

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 31 December 2017. The results for the year to date represent that group's trading from 1 April 2017 to 31 December 2017. Comparative results are provided for the quarter ended 31 December 2016 and for the nine months ended 31 December 2016.

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 2017, 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 2017 annual report and consolidated financial statements for Turnstone Midco 2 Limited and Turnstone Equityco 1 Limited.

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.

Notes

Forming part of the financial statements

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.

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.

Notes

Forming part of the financial statements

The significant intangible assets recognised by the group, their estimated useful economic lives and the methods used to determine the cost of intangible assets acquired through business combinations are as follows:

Intangible asset	Estimated useful economic life	Valuation method
Contractual arrangements and relationships	20 years	Estimated discounted cash flow
Customer relationships	10-20 years	Estimated discounted cash flow
Brands and trademarks	15 years	Estimated royalty stream if the rights were to be licensed

Contractual arrangements reflect long term, fixed income contracts with the NHS for the delivery of dentistry services. These contracts specify targeted annual volumes of units of dental activity (‘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.

Notes

Forming part of the financial statements

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.

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.

In addition, in a very small number of instances, the group has entered into option contracts with the vendors of businesses in which the group has acquired a majority shareholding in order to enable the group to acquire the remaining equity interest at a pre-determined price, or by reference to a pre-determined earnings multiple, in the future.

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

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 orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment. 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.

In light of a further decline in UDA delivery performance during Q2 FY18, management performed an impairment review, which resulted in an impairment of £60.2m to the carrying value of goodwill within the mydentist CGU. Also in Q2 FY18, following the negotiation of a number of small permanent contract hand-backs with NHS Regions, an impairment of £1.1m was recorded against the carrying value of the intangible assets associated with these contracts.

During Q3 FY18, management have negotiated some additional permanent contract hand-backs with NHS Regions, which reduces the level of revenue the group can generate from these contracts in future years. As a result, management have reduced the carrying value of the intangible assets associated with these contracts to reflect this reduced earning potential. This has given rise to an impairment charge of £3.1m which has been recognised in the income statement, within non-underlying items.

No indicators of further impairment to the mydentist or Dental Directory CGU's have been identified by management during Q3 FY18.

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.

Notes

Forming part of the financial statements

3 Critical accounting judgements and estimates *(continued)*

(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.

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 654 sites at 31 December 2017 (31 December 2016: 677).

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.

All services are provided in the United Kingdom.

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

Q3 2018	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	93,733	-	-	93,733
Private dentistry	25,544	-	-	25,544
Dental Directory	-	36,105	(7,463)	28,642
Total revenue	119,277	36,105	(7,463)	147,919
Gross profit	56,358	9,926	(3,747)	62,537
Gross margin	*47.2%*	*27.5%*		*42.3%*
Overheads	(43,797)	(8,494)	3,666	(48,625)
Overheads % of revenue	*36.7%*	*23.5%*		*32.9%*
Other income	492	-	-	492
EBITDA before non-underlying items	13,053	1,432	(81)	14,404
EBITDA margin	*10.9%*	*4.0%*		*9.7%*
Amortisation of intangible assets	(7,135)	(875)	-	(8,010)
Depreciation	(4,894)	(613)	69	(5,438)
Amortisation of government grant income	14	-	-	14
Impairment of intangible assets	(3,080)	-	-	(3,080)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(9,621)	-	-	(9,621)
Other non-underlying items	(624)	(700)	-	(1,324)
Foreign exchange gains	-	(28)	-	(28)
Segment operating profit/(loss)	(12,287)	(784)	(12)	(13,083)
Net finance costs				(10,653)
Loss before income tax				(23,736)
Segment assets	714,304	114,871	(3,445)	825,730
Segment liabilities	(160,123)	(112,966)	(459,669)	(732,758)
Additions in the period				
Goodwill	1	3,603	-	3,604
Other intangible assets	-	1,939	-	1,939
Property, plant and equipment	3,430	405	(111)	3,724

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

Q3 2017	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	96,923	-	-	96,923
Private dentistry	24,347	-	-	24,347
Dental Directory	-	34,400	(6,253)	28,147
Total revenue	121,270	34,400	(6,253)	149,417
Gross profit	55,964	10,114	(851)	65,227
Gross margin	*46.1%*	*29.4%*		*43.7%*
Overheads	(42,093)	(7,580)	736	(48,937)
Overheads % of revenue	*34.7%*	*22.0%*		*32.8%*
Other income	532	-	-	532
EBITDA before non-underlying items	14,403	2,534	(115)	16,822
EBITDA margin	*11.9%*	*7.4%*		*11.3%*
Amortisation of intangible assets	(7,394)	(833)	-	(8,227)
Depreciation	(4,746)	(543)	59	(5,230)
Amortisation of government grant income	14	-	-	14
Impairment of intangible assets	(17,000)	-	-	(17,000)
Other non-underlying items	730	(194)	-	536
Foreign exchange losses	-	(278)	-	(278)
Segment operating profit/(loss)	(13,993)	686	(56)	(13,363)
Net finance costs				(10,617)
Loss before income tax				(23,980)
Segment assets	847,500	110,179	(3,844)	953,835
Segment liabilities	(155,657)	(106,125)	(460,285)	(722,067)
Additions in the period				
Goodwill	4,297	(234)	-	4,063
Other intangible assets	2,993	-	-	2,993
Property, plant and equipment	3,286	501	(165)	3,622

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

YTD 2018	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	274,830	-	-	274,830
Private dentistry	75,079	-	-	75,079
Dental Directory	-	105,031	(22,710)	82,321
Total revenue	349,909	105,031	(22,710)	432,230
Gross profit	163,960	30,415	(6,402)	187,973
Gross margin	*46.9%*	*29.0%*		*43.5%*
Overheads	(129,471)	(25,266)	6,102	(148,635)
Overheads % of revenue	*37.0%*	*24.1%*		*34.4%*
Other income	1,528	-	-	1,528
EBITDA before non-underlying items	36,017	5,149	(300)	40,866
EBITDA margin	*10.3%*	*4.9%*		*9.5%*
Amortisation of intangible assets	(21,660)	(2,543)	-	(24,203)
Depreciation	(14,653)	(1,803)	202	(16,254)
Amortisation of government grant income	42	-	-	42
Impairment of intangible assets	(64,395)	-	-	(64,395)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(27,637)	-	-	(27,637)
Other non-underlying items	(1,049)	(1,220)	-	(2,269)
Foreign exchange gains	-	193	-	193
Segment operating profit/(loss)	(93,335)	(224)	(98)	(93,657)
Net finance costs				(31,816)
Loss before income tax				(125,473)
Segment assets	714,304	114,871	(3,445)	825,730
Segment liabilities	(160,123)	(112,966)	(459,669)	(732,758)
Additions in the period				
Goodwill	1,041	3,464	-	4,505
Other intangible assets	817	1,993	-	2,810
Property, plant and equipment	10,498	1,444	(380)	11,562

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

YTD 2017	mydentist	Dental Directory	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	286,867	-	-	286,867
Private dentistry	71,282	-	-	71,282
Dental Directory	-	98,688	(21,950)	76,738
Total revenue	358,149	98,688	(21,950)	434,887
Gross profit	168,106	29,693	(2,852)	194,947
Gross margin	*46.9%*	*30.1%*		*44.8%*
Overheads	(123,406)	(23,204)	1,842	(144,768)
Overheads % of revenue	*34.5%*	*23.5%*		*33.3%*
Other income	1,555	-	-	1,555
EBITDA before non-underlying items	46,255	6,489	(1,010)	51,734
EBITDA margin	*12.9%*	*6.6%*		*11.9%*
Amortisation of intangible assets	(22,058)	(2,499)	-	(24,557)
Depreciation	(14,165)	(1,437)	157	(15,445)
Amortisation of government grant income	47	-	-	47
Impairment of intangible assets	(17,000)	-	-	(17,000)
Other non-underlying items	(2,665)	(784)	-	(3,449)
Foreign exchange gains	-	231	-	231
Segment operating profit/(loss)	(9,586)	2,000	(853)	(8,439)
Net finance costs				(43,866)
Loss before income tax				(52,305)
Segment assets	847,500	110,179	(3,844)	953,835
Segment liabilities	(155,657)	(106,125)	(460,285)	(722,067)
Additions in the period				
Goodwill	6,268	13	-	6,281
Other intangible assets	6,233	-	-	6,233
Property, plant and equipment	14,851	1,583	(753)	15,681

Notes

Forming part of the financial statements

5 Taxation

	Q3 2018 £'000	Q3 2017 £'000
Current income tax		
Current income tax for the period	-	85
Total current income tax	-	85
Deferred income tax		
Origin and reversal of temporary differences	(3,064)	(2,109)
Total deferred income tax	(3,064)	(2,109)
Total income tax credit	(3,064)	(2,024)

	YTD 2018 £'000	YTD 2017 £'000
Current income tax		
Current income tax for the period	(1)	85
Total current income tax	(1)	85
Deferred income tax		
Origin and reversal of temporary differences	(8,474)	(5,727)
Impact of change in tax rate	-	(2,285)
Total deferred income tax	(8,474)	(8,012)
Total income tax credit	(8,475)	(7,927)

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

	Q3 2018 £'000	Q3 2017 £'000
Current		
Trade payables	21,061	20,171
Accruals and deferred income	110,416	97,062
Other taxation and social security	3,272	4,049
Contingent consideration	1,175	3,914
Government grants	55	55
	135,979	125,251
Non-current		
Contingent consideration	2,430	1,087
Government grants	164	219
	2,594	1,306

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 £60.2m in respect of UDA's not delivered in FY18 and earlier years (Q3 FY17: £45.4m) along with fees of £21.6m payable to self-employed dentists in respect of work completed (Q3 FY17: £23.9m).

7 Borrowings

	Q3 2018 £'000	Q3 2017 £'000
Non-current		
Senior secured, floating rate and second lien notes		
Due between two and five years	424,427	-
Due after five years	126,371	550,023
	550,798	550,023
Bank loans		
Due between two and five years	5,000	-
Less: unamortised arrangement fees and related costs	(8,775)	(10,471)
Total non-current loans and borrowings	547,023	539,552

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%.

Notes

Forming part of the financial statements

8 Business combinations

In October 2017, the group's Dental Directory division acquired the entire issued share capital of BF Mulholland Limited, a Northern Irish dental supplies business. Details of the consideration paid and the provisional fair value of assets and liabilities acquired are set out below. No other acquisitions were completed during the quarter ended 31 December 2017.

	Q3 2018 BF Mulholland Limited £'000
Consideration	
Cash	4,480
Contingent consideration	1,794
Total consideration	6,274
Fair value of assets and liabilities acquired	
Intangible assets	1,939
Property, plant and equipment	120
Inventories	565
Trade and other receivables	932
Trade and other payables	(714)
Deferred taxation	(330)
Total identifiable net assets	2,671
Goodwill	3,603
Total	6,274

Notes

Forming part of the financial statements

8 Business combinations *(continued)*

Set out below are details of the acquisitions completed during the nine months ended 31 December 2017. Acquisitions during the nine months ended 31 December 2017 comprised one unincorporated dental practice acquired by mydentist and the acquisitions of BF Mulholland Limited and a small orthodontic materials distribution business by Dental Directory. The directors consider each of these acquisitions to be individually immaterial to the group, having considered a number of qualitative and quantitative factors. Therefore, these acquisitions have been aggregated for disclosure purposes.

	YTD 2018		
	mydentist	Dental Directory	Total
	£'000	£'000	£'000
Consideration			
Cash	1,645	4,625	6,270
Contingent consideration	108	1,794	1,902
Total consideration	1,753	6,419	8,172
Fair value of assets and liabilities acquired			
Intangible assets	817	1,993	2,810
Property, plant and equipment	50	140	190
Assets held for sale	-	-	-
Inventories	1	602	603
Trade and other receivables	-	1,003	1,003
Cash and cash equivalents	-	159	159
Trade and other payables	-	(751)	(751)
Corporation tax	-	-	-
Deferred taxation	(139)	(339)	(478)
Provisions	(5)	-	(5)
Total identifiable net assets	724	2,807	3,531
Goodwill	1,029	3,612	4,641
Total	1,753	6,419	8,172