



**IDH Finance plc**  
Quarterly Financial Report  
3 months ended 30 September 2019

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## 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 2019 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 2018. IFRS 16 “Leases” has been adopted with effect from 1 April 2019 using the modified retrospective method of adoption. Consequently, the comparative information has not been restated. More information is provided in Note 2 to the Unaudited Condensed Interim Consolidated Financial Statements and the impact of adoption is shown in Appendix A. “Adjusted EBITDA”, which represents EBITDA before non-underlying items adjusted to include rental and other lease charges, has been presented to provide comparable information to the prior period.

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 2019 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 2019 (“Q2 FY20”) of £151.7m, which was 8.9% higher than the three months ended 30 September 2018 (“Q2 FY19”).
  - Q2 FY20 like-for-like private revenue growth per working day of 21.5%. Year to date growth is 18.8%.
  - Q2 FY20 gross margin percentage of 42.6% a decrease of 2.0% from 44.6% in Q2 FY19.
  - Reported EBITDA before non-underlying items for the three months ended 30 September 2019 of £19.4m (12.8% of revenue).
  - Following the adoption of IFRS 16, EBITDA has increased by £3.5m as rent charges and other lease costs are no longer recognised in overheads as they reduce the lease liability on the balance sheet.
  - EBITDA before non-underlying items for the three months ended 30 September 2019 less charges for rental and other previously categorised operating leases (“Adjusted EBITDA”) of £15.9m (10.5% of revenue) is 17.1% ahead of the three months to 30 September 2018 (£13.6m, 9.8% of revenue).
  - Like-for-like UDA delivery per working day down 5.2% for the quarter.
  - LTM Adjusted EBITDA of £59.7m and estimated pro-forma LTM Adjusted EBITDA of £60.2m.
  - No practices were opened or closed during the quarter – 604 total practices at 30 September 2019.
  - Cash generated from operations before movements in working capital increased by £6.0m to £18.8m, largely as a result of a change in the classification of cash flows due to the adoption of IFRS 16. Cash generated from operations of £27.4m (Q2 FY19: £16.6m).
  - Maintenance capital expenditure for the quarter ended 30 September 2019 was £6.7m.
  - Cash conversion after working capital and maintenance capital expenditure was 133.7%.
  - Cash and cash equivalents at 30 September 2019 of £14.1m and net debt was £557.4m.
  - Gearing levels are 9.34 times and 9.26 times LTM Adjusted EBITDA and estimated pro-forma LTM Adjusted EBITDA respectively.
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- IFRS 16 Leases has been adopted by the group from 1 April 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Consequently, the comparative information in these Unaudited Condensed Interim Consolidated Financial Statements for the three months ending 30 September 2018 has not been restated. Upon transition, the group recognised an opening right-of-use lease asset and lease liability of £94.1m. The adoption of IFRS 16 has resulted in a £3.5m increase in underlying EBITDA and a £0.4m increase in operating profit for Q2 FY20 following the replacement of the operating lease costs that were previously expensed with a depreciation charge on the leased assets. Finance costs have also increased under IFRS 16 by £0.7m owing to the unwinding of the discount on the lease liability. Further information is provided in note 2 and Appendix A to the condensed interim consolidated financial statements.

## 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 2019.

IDH is the leading provider of dental services in the United Kingdom and, through {my}dentist, operates a network of 604 dental practices across England, Scotland, Wales and Northern Ireland.

{my}dentist'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 DD 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 2018 to 30 June 2019 and for the quarter ended 30 September 2019 are provided below:

Key performance indicators	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenue (£m)	139.3	145.5	144.7	139.0	151.7
EBITDA calculated under IFRS 16 (£m) <sup>(1)</sup>	17.4	19.1	20.5	15.0	19.4
Rent adjustment (£m)	3.8	3.7	3.6	3.5	3.5
Adjusted EBITDA (£m) <sup>(2)</sup>	13.6	15.4	16.9	11.5	15.9
LTM Adjusted EBITDA (£m)	55.3	56.0	58.1	57.4	59.7
Operating loss (£m)	(1.5)	(4.5)	(16.9)	(2.5)	1.9
NHS dentistry services as a percentage of dental practice revenue	77.2%	77.8%	77.7%	74.1%	73.5%
Private dentistry services as a percentage of dental practice revenue	22.8%	22.2%	22.3%	25.9%	26.5%
Non-dental practice revenue as a percentage of group revenue	19.2%	18.6%	19.3%	20.0%	22.2%
Like-for-like private revenue growth	4.7%	6.0%	7.9%	14.1%	23.4%
Like-for-like private revenue growth per working day	4.7%	4.4%	7.9%	16.0%	21.5%
Gross profit margin %	44.6%	44.1%	45.0%	43.4%	42.6%
Adjusted overheads as a percentage of revenue	35.1%	33.9%	33.6%	35.5%	32.4%
Adjusted EBITDA margin %	9.8%	10.6%	11.7%	8.3%	10.5%
Number of dental practices	625	609	603	604	604
Maintenance capital expenditure (£m)	6.3	6.3	7.0	8.4	6.7
Cash conversion after maintenance capital expenditure %	82.0%	-46.2%	47.7%	121.0%	133.7%
Estimated pro-forma adjusted EBITDA (£m)	57.3	57.8	59.4	58.4	60.2

The numbers shaded in blue are the reported EBITDA for each quarter. For Q2-Q4 FY19, this is stated after the deduction of rental and other lease charges. For Q1 and Q2 FY20, following the adoption of IFRS 16, rental and other lease charges have not been deducted from reported EBITDA.

- (1) "EBITDA calculated under IFRS 16" shows the historical position if IFRS 16 had been adopted in FY19 and the reported position for Q1 and Q2 FY20.
- (2) "Adjusted EBITDA" shows EBITDA for each quarter after the deduction of rental charges.

### Impact of IFRS 16

In order to provide comparability between periods, the table below sets out the impact on reported EBITDA for each period if IFRS 16 had been adopted at that time.

	Q1 £'000	Q2 £'000	Q3 £'000	Q4 £'000	Full year £'000
<b>FY18</b>					
Reported EBITDA	12,108	13,507	14,698	14,802	55,115
Lease adjustment	3,864	3,762	3,698	3,620	14,944
<b>EBITDA under IFRS 16</b>	<b>15,972</b>	<b>17,269</b>	<b>18,396</b>	<b>18,422</b>	<b>70,059</b>
<b>FY19</b>					
Reported EBITDA	<b>12,220</b>	<b>13,616</b>	15,369	16,900	58,105
Lease adjustment	3,700	3,757	3,749	3,610	14,816
<b>EBITDA under IFRS 16</b>	<b>15,920</b>	<b>17,373</b>	<b>19,118</b>	<b>20,510</b>	<b>72,921</b>
<b>FY20</b>					
Adjusted EBITDA	11,490	15,939			
Lease adjustment	3,497	3,497			
<b>Reported EBITDA IFRS 16</b>	<b>14,987</b>	<b>19,436</b>			

### Practice numbers

No dental practices were closed or opened during the quarter. In total, {my}dentist operated 604 practices at 30 September 2019 (30 September 2018: 625).

### Revenue

Group revenue increased by £12.4m, or 8.9%, from £139.3m for the three month period ended 30 September 2018 ("Q2 FY19") to £151.7m for the three month period to 30 September 2019 ("Q2 FY20").

{my}dentist revenue increased by £4.9m from £113.1m to £118.0m as a result of increased NHS and private revenue offset by a £2.4m decrease relating to FY19 practice disposals.

Revenue from DD increased by £7.7m from £33.2m in Q2 FY19 to £40.9m in Q2 FY20.

Group revenue	Q2 FY20 £'000	Q2 FY19 £'000	Movement £'000
NHS revenue	79,155	77,582	1,573
Private revenue	28,664	22,903	5,761
Dental practices	107,819	100,485	7,334
Orthodontics	10,155	10,233	(78)
Practice disposals	3	2,408	(2,405)
Non-dental practice revenue	71	18	53
<b>Total {my}dentist revenue</b>	<b>118,048</b>	<b>113,144</b>	<b>4,904</b>
DD revenue	40,864	33,154	7,710
Eliminations	(7,203)	(7,021)	(182)
<b>Total revenue</b>	<b>151,709</b>	<b>139,277</b>	<b>12,432</b>

## NHS revenue

NHS revenue for the quarter ended 30 September 2019 was £86.7m, a decrease of £0.2m or 0.2% from £86.9m in Q2 FY19.

NHS revenue generated from base dental practices, excluding disposals and orthodontic revenue, increased from £77.6m to £79.2m. This movement reflects the annual contract uplift and improvements in productivity offset by a fall in like for like UDA delivery of 5.2% per working day.

The annual contract uplift for FY20 was announced in October 2020. The uplift for England has been set at 2.42%, Wales at 2.50% and Scotland at 2.50%. Revenue recognised in Q2 includes an adjustment of £1.25m in order to increase the uplift related to Q1 from 1.50% to the full annual award.

## Private revenue

Private revenue for the quarter ended 30 September 2019 was £31.2m, 22.0% higher than £25.6m for the equivalent period in FY19.

Private revenue excluding disposals and orthodontic revenue increased by £5.8m (25.2%). Private revenue growth has been driven by the roll-out of the {my}options affordable private dentistry proposition to over 400 practices by the end of Q2 FY20. LFL private growth, adjusted for the number of working days, was 21.5% and this also included strong revenue growth in our Advanced Oral Health Centres.

## Orthodontic revenue – {my}orthodontist

Orthodontic revenue for the quarter ended 30 September 2019 was £10.2m which was in line with Q2 FY19.

## DD revenue

Revenue of £40.9m (Q2 FY19: £33.2m) has been generated from the business units across the DD division. Overall revenue has increased with positive variances in medical aesthetics, wholesale, equipment and engineering revenues, partially offset by sales volumes of high street consumables. High levels of customer service have continued to improve operational effectiveness.

## Cost of sales

Gross margin for the quarter ended 30 September 2019 was 42.6%, a 2.0% decrease from 44.6% in the quarter ended 30 September 2018. {my}dentist gross margin for Q2 FY20 was 48.1% (Q2 FY19: 48.3%) and gross margin in DD was 23.1% (Q2 FY19: 26.8%).

Cost of sales increased by £9.8m, or 12.7%, from £77.2m to £87.0m for the quarter ended 30 September 2019 reflecting the higher revenue generated in both {my}dentist and DD.

The reduction in {my}dentist gross margin results predominantly from an increase in locum costs and changes in sales mix. The reduction in gross margin in DD reflects the lower margins associated with toxin sales but gross profit is up overall.

## Overheads

Overheads, including administrative expenses, distribution costs, amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £63.0m for Q2 FY20, a decrease of £1.0m from £64.0m in the three months to 30 September 2018. This decrease includes the change in treatment of rental and lease charges, practice disposals and a £0.9m decrease in impairment of assets and disposals recognised in Q2 FY20 (£0.1m) compared to last year (£1.0m), offset by an increase in practice staff costs.

Q2 FY19 overheads included rent charges of £3.8m. Following the adoption of IFRS 16 on 1 April 2019, rental and other lease charges are not included in overheads. However, depreciation (relating to the right of use lease asset) has increased by £3.1m.

An impairment of £0.4m was recognised in Q2 FY20 relating to permanent contract cuts agreed with the NHS in this quarter.

Overheads excluding amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £45.7m, £3.2m lower than Q2 FY19 (£48.9m). As discussed above, this decrease includes £3.8m relating to the changes in classifications of rent charges in Q2 FY20.

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 2019, staff costs were £33.9m, in line with Q2 FY19, however this reflects an increase in practice staff costs offset by practice disposals.

Dental equipment and practice property maintenance costs for Q2 FY20 were £2.6m, in line with Q2 FY19.

The calculation of Adjusted EBITDA includes the recognition of cash rental and other operating lease charges of £3.5m in overheads for Q2 FY20.

### **Other operating income**

Other operating income for the three months ended 30 September 2019 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)/gains**

Other (losses)/gains include net realised and unrealised foreign exchange gains and losses arising in DD, 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 2019 was £19.4m, £5.8m up on Q2 FY19 of £13.6m (+42.7%).

Adjusted EBITDA, earnings before interest, tax, depreciation, amortisation and non-underlying items less cash rental payments, for the three months ended 30 September 2019 was £15.9m, £2.3m up on Q2 FY19 of £13.6m (+17.1%).

Adjusted EBITDA for the quarter in {my}dentist was £2.3m higher than Q2 FY19 at £15.5m (+17.2%) and DD was up by £0.5m (39.2%) to £1.7m.

### **Non-underlying items**

Other non-underlying items of £0.7m principally relate to one-off legal, professional and restructuring costs.



## Year to date performance

In the six months to 30 September 2019, revenue increased by 3.2% from £281.7m to £290.7m. This is predominantly due to the growth in private dentistry revenues, NHS contract uplift and DD revenue growth offset by 5.1% like for like fall per working day in UDA delivery and practice disposals.

Group revenue	YTD FY20 £'000	YTD FY19 £'000	Movement £'000
NHS revenue	155,120	157,647	(2,527)
Private revenue	55,211	45,739	9,472
Dental practices	210,331	203,386	6,945
Orthodontics	18,918	19,195	(277)
Practice disposals	1	5,520	(5,519)
Non-dental practice revenue	118	49	69
Total {my}dentist revenue	229,368	228,150	1,218
DD revenue	75,834	67,629	8,205
Eliminations	(14,468)	(14,061)	(407)
Total revenue	290,734	281,718	9,016

EBITDA before exceptional items for the year to date was £34.4m (Q2 FY19: £25.8m).

## Estimated pro-forma LTM Adjusted EBITDA

	£'000
LTM Adjusted EBITDA before exceptional items at 30 September 2019	59,698
Estimated Adjusted EBITDA of acquired dental practices at 30 September 2019	37
EBITDA from disposals completed by September - add back trading losses in LTM EBITDA	500
Estimated pro-forma Adjusted EBITDA	60,235

Estimated pro-forma LTM Adjusted 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 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 2018 to 30 September 2019.

## Finance costs

Finance costs of £11.7m in Q2 FY20 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. £1.0m relates to non-utilisation fees and interest payable in respect of the Super Senior Revolving Credit Facility ("SSRCF") and the amortisation of debt arrangement fees. A further £0.7m relates to unwinding of the discount on the lease liability following the adoption of IFRS 16.

## Debt and liquidity

At 30 September 2019, net debt was £557.4m, compared to £561.3m at 31 March 2019. This decrease principally reflects an increase in cash for the period and amortisation of facility arrangement fees and issue discounts.

Net cash flow for the quarter was an inflow of £2.5m. This arises from a cash inflow from operating activities of £27.4m, £6.7m capital expenditure, £14.6m for the servicing of finance and £3.5m of lease payments (included in financing activities following the adoption of IFRS 16).

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**Working capital movements**

Cash generated from operations increased from £16.6m in Q2 FY19 to a £27.4m in Q2 FY20. Part of this increase is a result of the adoption of IFRS 16 whereby the payments made in relation to leases are now shown within financing activities, whereas these were previously included within operating activities. The remaining increase results mainly from a cash inflow from other working capital movements.

**Capital expenditure**

Capital expenditure for Q2 FY20 was £6.7m (Q2 FY19: £6.3m). This related entirely to “maintenance” capital expenditure.

**Cash conversion**

Cash conversion is measured as the ratio of Adjusted EBITDA to cash generated from operations less maintenance capital expenditure and for the quarter was 133.7% compared to 82.0% in the corresponding quarter in FY19.

Cash conversion excluding working capital movements was 58.0% (Q2 FY19: 54.1%).

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## **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 2019.

## **Post balance sheet events**

On 14 October 2019, Nilesh Pandya was appointed Chief Financial Officer of the group.

On 6 November 2019, Louis Elson and Jean Bonnavion resigned as Directors of the group's ultimate parent company, Turnstone Equityco 1 Limited.

# **Turnstone Midco 2 Limited**

**Condensed interim consolidated financial statements – Unaudited**

**Quarter ended 30 September 2019**

## Consolidated income statement (unaudited)

For the quarter ended 30 September 2019

	Note	Q2 FY20 £'000	Q2 FY19 £'000
Revenue	4	151,709	139,277
Cost of sales		(87,029)	(77,208)
Gross profit	4	64,680	62,069
Distribution costs		(4,865)	(4,494)
Administrative expenses		(58,113)	(59,543)
Other operating income		466	473
Other (losses)/gains		(271)	3
Operating profit/(loss)	4	1,897	(1,492)
EBITDA before non-underlying items	4	19,436	13,616
Amortisation of intangible assets		(7,633)	(7,705)
Depreciation		(8,530)	(5,318)
Amortisation of government grant income		13	14
Impairment of intangible assets		(361)	-
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		244	(984)
Value of employee services arising from shares granted		(269)	(269)
Other non-underlying items		(732)	(849)
Foreign exchange (losses)/gains		(271)	3
Operating profit/(loss)	4	1,897	(1,492)
Finance costs		(11,688)	(10,815)
Finance income		15	11
Net finance costs		(11,673)	(10,804)
Loss before income tax	4	(9,776)	(12,296)
Income tax credit	5	1,632	1,422
Loss for the period		(8,144)	(10,874)
Attributable to:			
Owners of the parent		(8,144)	(10,889)
Non-controlling interests		-	15
		(8,144)	(10,874)

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.

IFRS 16 Leases has been adopted from 1 April 2019 using the modified retrospective method of adoption. Consequently, the comparative information has not been restated. More information is provided in Note 2 to the Unaudited Condensed Interim Consolidated Financial Statements and the impact of adoption of this standard is shown in Appendix A to these statements.

## Consolidated income statement (unaudited)

For the six months ended 30 September 2019

	<i>Note</i>	YTD FY20 £'000	YTD FY19 £'000
Revenue	4	290,734	281,718
Cost of sales		(165,654)	(156,689)
Gross profit	4	125,080	125,029
Distribution costs		(9,363)	(8,995)
Administrative expenses		(117,300)	(135,724)
Other operating income		886	996
Other gains		55	89
Operating loss	4	(642)	(18,605)
EBITDA before non-underlying items	4	34,423	25,836
Amortisation of intangible assets		(15,272)	(15,549)
Depreciation		(17,084)	(10,667)
Amortisation of government grant income		26	28
Impairment of intangible assets		(864)	-
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		339	(16,062)
Value of employee services arising from shares granted		(538)	(538)
Other non-underlying items		(1,727)	(1,742)
Foreign exchange gains		55	89
Operating loss	4	(642)	(18,605)
Finance costs		(23,763)	(21,570)
Finance income		23	20
Net finance costs		(23,740)	(21,550)
Loss before income tax	4	(24,382)	(40,155)
Income tax credit	5	3,955	4,249
Loss for the period		(20,427)	(35,906)
Attributable to:			
Owners of the parent		(20,427)	(35,933)
Non-controlling interests		-	27
		(20,427)	(35,906)

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.

IFRS 16 Leases has been adopted from 1 April 2019 using the modified retrospective method of adoption. Consequently, the comparative information has not been restated. More information is provided in Note 2 to the Unaudited Condensed Interim Consolidated Financial Statements and the impact of adoption of this standard is shown in Appendix A to these statements.

## Consolidated balance sheet (unaudited)

At 30 September 2019

<i>Note</i>	Q2 FY20 £'000	Q2 FY19 £'000
<b>Non-current assets</b>		
Goodwill	224,286	240,582
Other intangible assets	314,830	350,806
Property, plant and equipment	187,876	93,172
Deferred tax income tax assets	22,321	18,262
	<u>749,313</u>	<u>702,822</u>
<b>Current assets</b>		
Inventories	29,317	25,732
Trade and other receivables	51,102	46,705
Current income tax	40	-
Derivative financial instruments	-	5
Cash and cash equivalents	14,050	11,328
	<u>94,509</u>	<u>83,770</u>
Assets classified as held for sale	-	1,606
<b>Total assets</b>	<u>843,822</u>	<u>788,198</u>
<b>Equity attributable to the owners of the parent</b>		
Share capital	410,961	410,961
Accumulated losses	(425,515)	(368,273)
	<u>(14,554)</u>	<u>42,688</u>
Non-controlling interest	-	-
<b>Total equity</b>	<u>(14,554)</u>	<u>42,688</u>
<b>Non-current liabilities</b>		
Borrowings	7 571,477	548,909
Other payables	6 169	2,252
Deferred income tax liabilities	29,091	34,297
Post employment benefits	593	517
Provisions	7,060	7,018
Other liabilities - leases	74,657	-
<b>Total non-current liabilities</b>	<u>683,047</u>	<u>592,993</u>
<b>Current liabilities</b>		
Trade and other payables	6 160,190	150,465
Current income tax	-	127
Provisions	1,348	1,925
Other liabilities - leases	13,680	-
Derivative financial instruments	111	-
<b>Total current liabilities</b>	<u>175,329</u>	<u>152,517</u>
<b>Total liabilities</b>	<u>858,376</u>	<u>745,510</u>
<b>Total equity and liabilities</b>	<u>843,822</u>	<u>788,198</u>

## Consolidated statement of changes in equity (unaudited)

For the quarter ended 30 September 2019

	Q2 FY20				
	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	(417,594)	(6,633)	-	(6,633)
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(8,144)	(8,144)	-	(8,144)
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	-	(46)	(46)	-	(46)
Total transactions with owners	-	223	223	-	223
Balance at end of the period	410,961	(425,515)	(14,554)	-	(14,554)
	Q2 FY19				
	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



## Consolidated statement of changes in equity (unaudited)

For the six months ended 30 September 2019

	YTD FY20				
	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	(405,535)	5,426	-	5,426
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(20,427)	(20,427)	-	(20,427)
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	-	(91)	(91)	-	(91)
Total transactions with owners	-	447	447	-	447
Balance at end of the period	410,961	(425,515)	(14,554)	-	(14,554)
	YTD FY19				
	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

## Consolidated cash flow statement (unaudited)

For the quarter ended 30 September 2019

	Q2 FY20 £'000	Q2 FY19 £'000
Cash flows from operating activities		
Loss before taxation	(9,776)	(12,296)
Depreciation of property, plant and equipment	8,530	5,318
Amortisation of government grants	(13)	(14)
Amortisation of intangible assets	7,633	7,705
Finance costs	11,688	10,815
Finance income	(15)	(11)
Loss on business and asset disposals	(198)	984
Impairment of intangible assets	361	-
Differences between contingent consideration paid and initial estimates	-	(20)
Net unrealised foreign exchange losses	290	62
Value of employee services arising from shares granted to directors and employees	269	269
Cash generated from operations before movements in working capital	18,769	12,812
Changes in working capital		
Movement in inventories	246	(1,233)
Movement in trade and other receivables	(7,477)	(2,538)
Movement in trade and other payables	16,320	7,742
Movement in provisions	(498)	(212)
Cash generated from operations	27,360	16,571
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(28)	(63)
Proceeds from sale of practices	(10)	397
Purchase of property, plant and equipment	(6,702)	(6,253)
Proceeds from business and asset disposals	12	-
Interest received	15	11
Net cash outflow from investing activities	(6,713)	(5,908)
Cash flows from financing activities		
Bank and bond interest paid	(14,627)	(14,414)
Principal element of lease payments	(3,497)	-
Net cash outflow from financing activities	(18,124)	(14,414)
Net increase/(decrease) in cash and cash equivalents	2,523	(3,751)
Cash and cash equivalents at the beginning of the period	11,527	15,079
Cash and cash equivalents at the end of the period	14,050	11,328

## Consolidated cash flow statement (unaudited)

For the six months ended 30 September 2019

	YTD FY20 £'000	YTD FY19 £'000
Cash flows from operating activities		
Loss before taxation	(24,382)	(40,155)
Depreciation of property, plant and equipment	17,084	10,667
Amortisation of government grants	(26)	(28)
Amortisation of intangible assets	15,272	15,549
Finance costs	23,763	21,570
Finance income	(23)	(20)
Loss on business and asset disposals	(307)	16,062
Impairment of intangible assets	864	-
Differences between contingent consideration paid and initial estimates	-	(20)
Net unrealised foreign exchange losses	(368)	(172)
Value of employee services arising from shares granted to directors and employees	539	538
Cash generated from operations before movements in working capital	32,416	23,991
Changes in working capital		
Movement in inventories	(917)	(4,577)
Movement in trade and other receivables	(11,601)	(5,484)
Movement in trade and other payables	29,237	15,426
Movement in provisions	(886)	(506)
Cash generated from operations	48,249	28,850
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(360)	(3,607)
Proceeds from sale of practices	(17)	956
Purchase of property, plant and equipment	(15,147)	(11,021)
Proceeds from business and asset disposals	26	-
Interest received	23	20
Net cash outflow from investing activities	(15,475)	(13,652)
Cash flows from financing activities		
Drawdown of bank loans	5,000	-
Repayment of bank loans	(5,000)	-
Bank and bond interest paid	(20,591)	(20,062)
Principal element of lease payments	(6,994)	-
Net cash outflow from financing activities	(27,585)	(20,062)
Net (decrease)/increase in cash and cash equivalents	5,189	(4,864)
Cash and cash equivalents at the beginning of the period	8,861	16,192
Cash and cash equivalents at the end of the period	14,050	11,328

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

For the quarter ended 30 September 2019

	Q2 FY20 £'000	Q2 FY19 £'000
Increase/(decrease) in cash for the period	2,523	(3,751)
Amortisation of loan arrangement fees	(649)	(633)
Total non-cash movement in net debt	(649)	(633)
Total movement in net debt	1,874	(4,384)
Net debt brought forward	(559,301)	(533,197)
Net debt carried forward	(557,427)	(537,581)

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

For the six months ended 30 September 2019

	YTD FY20 £'000	YTD FY19 £'000
Increase/(decrease) in cash for the period	5,189	(4,864)
Drawdown of bank loans	(5,000)	-
Repayment of bank loans	5,000	-
Total cash movement in net debt	5,189	(4,864)
Amortisation of loan arrangement fees	(1,300)	(1,268)
Total non-cash movement in net debt	(1,300)	(1,268)
Total movement in net debt	3,889	(6,132)
Net debt brought forward	(561,316)	(531,449)
Net debt carried forward	(557,427)	(537,581)

## 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 2019. The results for the year to date represent the group’s trading from 1 April 2019 to 30 September 2019. Comparative results are provided for the quarter ended 30 September 2018 and for the six months ended 30 September 2018.

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 2019, both of which are available from our website, [www.mydentist.co.uk](http://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 2019 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 16 Leases (“IFRS 16”).

In accordance with the implementation timetable included in the standards, the group has adopted IFRS 16 with effect from 1 April 2019 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Consequently, the comparative information in these Unaudited Condensed Interim Consolidated Financial Statements for the three months ending 30 September 2018 and the six months ending 30 September 2018 has not been restated.

#### IFRS 16 Leases

IFRS 16 became effective for accounting periods commencing on or after 1 January 2019 and replaces IAS 17 and related interpretations. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or unless the underlying asset has a low value.

The impact of adopting IFRS 16 has been significant for the group due to the number of short leasehold properties, principally in respect of the group’s dental practice estate, and leased motor vehicles used by the group. The group has recognised a ‘right of use’ asset in respect of these leases, along with an equivalent lease liability, which has been recognised based on the present value of the remaining lease payments, discounted using the incremental cost of borrowing at the date of initial application.

## Notes

### *Forming part of the financial statements*

The group has elected to adopt the following practical expedients on transition:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application.
- For leases of low value assets, the Group has elected to recognise a lease expense on a straight-line basis.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRS 16 impacts the classification of lease related expenditure within the income statement. This results in an increase to reported operating profit and a more substantial increase to EBITDA before non-underlying items, as lease related costs, which were previously charged within administrative expenses, are now under IFRS 16 split between depreciation and finance costs. The presentation of lease related cashflows within the cash flow statement has also changed. Previously, payments under operating leases were included within cash generated from operations. Under IFRS 16, these payments are now presented as cashflows from financing activities, representing repayments of debt.

The adoption of the above standard has resulted in recognition of an opening right of use asset on transition and an equivalent lease liability of £94.1m. During the quarter ending 30 September 2019, rent charges of £3.5m have been excluded from administrative expenses and replaced with a depreciation charge on the right of use asset of £3.1m. An interest charge of £0.7m has also been charged to finance costs in relation to the unwinding of the discount on the lease liability. A deferred tax asset of £0.2m has also been recognised.

The impact of the adjustments on the Consolidated income statement, the Consolidated balance sheet and the Consolidated cash flow statement are set out in more detail in Appendix A.

#### **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.

## Notes

*Forming part of the financial statements*

### 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:

<b>Intangible asset</b>	<b>Estimated useful economic life</b>	<b>Valuation method</b>
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.



## Notes

*Forming part of the financial statements*

### **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 DD 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.

## Notes

*Forming part of the financial statements*

### **h) 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 {my}dentist or DD CGU's have been identified by management during Q2 FY20. A goodwill impairment has been recognised for £0.4m relating to permanent NHS contract cuts agreed with the NHS.

##### ***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***

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. As at 30 September 2019, there are no assets held for sale (Q2 FY19: £1.6m).

#### **(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.

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## 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 {my}dentist and DD.

Through {my}dentist, the group is the leading provider of dental services in the United Kingdom. {my}dentist owns and manages a national chain of dental practices with 604 sites at 30 September 2019 (30 September 2018: 625).

DD, 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 {my}dentist. Sales to {my}dentist 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)

Q2 FY20	{my}dentist £'000	DD £'000	Group costs and intra- segment eliminations £'000	Total £'000
<i>Revenue</i>				
NHS dentistry	86,732	-	-	86,732
Private dentistry	31,245	-	-	31,245
Non-dental practice revenue	71	40,864	(7,203)	33,732
<b>Total revenue</b>	<b>118,048</b>	<b>40,864</b>	<b>(7,203)</b>	<b>151,709</b>
Gross profit	56,832	9,438	(1,590)	64,680
<i>Gross margin</i>	<i>48.1%</i>	<i>23.1%</i>		<i>42.6%</i>
Overheads	(38,640)	(7,337)	267	(45,710)
<i>Overheads % of revenue</i>	<i>32.7%</i>	<i>18.0%</i>		<i>30.1%</i>
Other income	466	-	-	466
<b>EBITDA before non-underlying items</b>	<b>18,658</b>	<b>2,101</b>	<b>(1,323)</b>	<b>19,436</b>
<i>EBITDA margin</i>	<i>15.8%</i>	<i>5.1%</i>		<i>12.8%</i>
Amortisation of intangible assets	(6,781)	(852)	-	(7,633)
Depreciation	(7,957)	(695)	122	(8,530)
Amortisation of government grant income	13	-	-	13
Impairment of intangible assets	(361)	-	-	(361)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	244	-	-	244
Value of employee services arising from shares granted	(269)	-	-	(269)
Other non-underlying items	(538)	(194)	-	(732.40)
Foreign exchange losses	-	(271)	-	(271)
<b>Segment operating profit/(loss)</b>	<b>3,009</b>	<b>89</b>	<b>(1,201)</b>	<b>1,896.60</b>
Net finance costs				(11,673)
Loss before income tax				(9,776)
<b>Segment assets</b>	<b>741,119</b>	<b>107,552</b>	<b>(4,849)</b>	<b>843,822</b>
<b>Segment liabilities</b>	<b>(254,374)</b>	<b>(135,201)</b>	<b>(468,800)</b>	<b>(858,376)</b>
<i>Additions in the period</i>				
Goodwill	-	-	-	-
Property, plant and equipment	6,877	734	(439)	7,172

## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

In order to provide comparability with Q2 FY19 financial information, the table below shows the impact of rental and other lease charges and the Adjusted EBITDA for each segment.

Q2 FY20	{my}dentist £'000	DD £'000	Group costs and intra- segment	Total £'000
			eliminations £'000	
EBITDA before non-underlying items	18,658	2,101	(1,323)	19,436
Rental charges	(3,140)	(357)	-	(3,497)
Adjusted EBITDA	15,518	1,744	(1,323)	15,939
EBITDA margin %	13.1%	4.3%	18.4%	10.5%

Within the {my}dentist segment, Adjusted EBITDA is derived from activities in general dental practices and {my}orthodontist.

{my}dentist Q2 FY20	General Dental				{my}dentist £'000
	Practices £'000	Orthodontics £'000	Disposals £'000	Central Costs £'000	
<i>Revenue</i>					
NHS dentistry	79,155	7,573	4	-	86,732
Private dentistry	28,664	2,582	(1)	-	31,245
Non-dental practice revenue	71	-	-	-	71
Total revenue	107,890	10,155	3	-	118,048
Gross profit	51,956	4,828	48	-	56,832
Gross margin	48.2%	47.5%			48.1%
Overheads	(29,777)	(2,172)	(24)	(6,668)	(38,640)
Overheads % of revenue	27.6%	21.4%			32.7%
Other income	466	-	-	-	466
EBITDA before non-underlying items	22,646	2,656	24	(6,668)	18,658
EBITDA margin	21.0%	26.2%			15.8%
Rent adjustment	(2,861)	(270)	(6)	(3)	(3,140)
Adjusted EBITDA	19,785	2,386	18	(6,671)	15,518
EBITDA margin	18.3%	23.5%			13.1%

## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

Q2 FY19	{my}dentist £'000	DD £'000	Group costs and intra- segment eliminations £'000	Total £'000
<i>Revenue</i>				
NHS dentistry	86,949	-	-	86,949
Private dentistry	25,617	-	-	25,617
Non-dental practice revenue	578	33,154	(7,021)	26,711
<b>Total revenue</b>	<b>113,144</b>	<b>33,154</b>	<b>(7,021)</b>	<b>139,277</b>
Gross profit	54,599	8,874	(1,404)	62,069
<i>Gross margin</i>	48.3%	26.8%		44.6%
Overheads	(41,836)	(7,621)	531	(48,926)
<i>Overheads % of revenue</i>	37.0%	23.0%		35.1%
Other income	473	-	-	473
<b>EBITDA before non-underlying items</b>	<b>13,236</b>	<b>1,253</b>	<b>(873)</b>	<b>13,616</b>
<i>EBITDA margin</i>	11.7%	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
<b>Segment operating profit/(loss)</b>	<b>(59)</b>	<b>(650)</b>	<b>(783)</b>	<b>(1,492)</b>
Net finance costs				(10,804)
Loss before income tax				(12,296)
<b>Segment assets</b>	<b>681,604</b>	<b>109,726</b>	<b>(3,132)</b>	<b>788,198</b>
<b>Segment liabilities</b>	<b>(177,110)</b>	<b>(116,193)</b>	<b>(452,207)</b>	<b>(745,510)</b>
<i>Additions in the period</i>				
Goodwill	-	127	-	127
Property, plant and equipment	6,558	460	(274)	6,744



## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

{my}dentist Q2 FY19	General Dental				{my}dentist £'000
	Practices £'000	Orthodontics £'000	Disposals £'000	Central Costs £'000	
<i>Revenue</i>					
NHS dentistry	77,582	7,822	1,545	-	86,949
Private dentistry	22,903	2,412	303	-	25,617
Non-dental practice revenue	18	-	560	-	578
<b>Total revenue</b>	<b>100,503</b>	<b>10,233</b>	<b>2,408</b>	<b>-</b>	<b>113,144</b>
Gross profit	48,038	5,076	1,486	-	54,599
<i>Gross margin</i>	<i>47.8%</i>	<i>49.6%</i>	<i>61.7%</i>		<i>48.3%</i>
Overheads	(30,316)	(2,301)	(1,521)	(7,699)	(41,836)
<i>Overheads % of revenue</i>	<i>30.2%</i>	<i>22.5%</i>	<i>63.2%</i>		<i>37.0%</i>
Other income	465	-	8	-	473
<b>EBITDA before non-underlying items</b>	<b>18,187</b>	<b>2,775</b>	<b>(27)</b>	<b>(7,699)</b>	<b>13,236</b>
<i>EBITDA margin</i>	<i>18.1%</i>	<i>27.1%</i>	<i>-1.1%</i>		<i>11.7%</i>
Rent adjustment	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>18,187</b>	<b>2,775</b>	<b>(27)</b>	<b>(7,699)</b>	<b>13,236</b>
<i>EBITDA margin</i>	<i>18.1%</i>	<i>27.1%</i>	<i>-1.1%</i>		<i>11.7%</i>

## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

YTD FY20	{my}dentist £'000	DD £'000	Group costs and intra- segment eliminations £'000	Total £'000
<i>Revenue</i>				
NHS dentistry	169,217	-	-	169,217
Private dentistry	60,033	-	-	60,033
Non-dental practice revenue	118	75,834	(14,468)	61,484
<b>Total revenue</b>	<b>229,368</b>	<b>75,834</b>	<b>(14,468)</b>	<b>290,734</b>
Gross profit	109,529	18,482	(2,931)	125,080
<i>Gross margin</i>	<i>47.8%</i>	<i>24.4%</i>		<i>43.0%</i>
Overheads	(76,630)	(15,246)	333	(91,543)
<i>Overheads % of revenue</i>	<i>33.4%</i>	<i>20.1%</i>		<i>31.5%</i>
Other income	886	-	-	886
<b>EBITDA before non-underlying items</b>	<b>33,785</b>	<b>3,236</b>	<b>(2,598)</b>	<b>34,423</b>
<i>EBITDA margin</i>	<i>14.7%</i>	<i>4.3%</i>		<i>11.8%</i>
Amortisation of intangible assets	(13,568)	(1,704)	-	(15,272)
Depreciation	(15,899)	(1,419)	234	(17,084)
Amortisation of government grant income	26	-	-	26
Impairment of intangible assets	(864)	-	-	(864)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	339	-	-	339
Value of employee services arising from shares granted	(538)	-	-	(538)
Other non-underlying items	(892)	(835)	-	(1,727)
Foreign exchange gains	-	55	-	55
<b>Segment operating profit/(loss)</b>	<b>2,390</b>	<b>(667)</b>	<b>(2,364)</b>	<b>(642)</b>
Net finance costs				(23,740)
<b>Loss before income tax</b>				<b>(24,382)</b>
<b>Segment assets</b>	<b>741,119</b>	<b>107,552</b>	<b>(4,849)</b>	<b>843,822</b>
<b>Segment liabilities</b>	<b>(254,374)</b>	<b>(135,201)</b>	<b>(468,800)</b>	<b>(858,376)</b>
<i>Additions in the period</i>				
Goodwill	-	-	-	-
Property, plant and equipment	14,684	1,890	(840)	15,734

## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

YTD FY20	{my}dentist £'000	DD £'000	Group costs and intra- segment eliminations £'000	Total £'000
EBITDA before non-underlying items	33,785	3,236	(2,598)	34,423
Rental charges	(6,369)	(625)	-	(6,994)
Adjusted EBITDA	27,416	2,611	(2,598)	27,429
EBITDA margin %	12.0%	3.4%	18.0%	9.4%

{my}dentist YTD FY20	General Dental				{my}dentist £'000
	Practices £'000	Orthodontics £'000	Disposals £'000	Central Costs £'000	
<i>Revenue</i>					
NHS dentistry	155,120	14,094	3	-	169,217
Private dentistry	55,211	4,824	(3)	-	60,033
Non-dental practice revenue	118	-	-	-	118
Total revenue	210,450	18,918	1	-	229,368
Gross profit	100,636	8,848	45	-	109,529
Gross margin	47.8%	46.8%			47.8%
Overheads	(58,730)	(4,194)	(83)	(13,623)	(76,630)
Overheads % of revenue	27.9%	22.2%			33.4%
Other income	886	-	-	-	886
EBITDA before non-underlying items	42,792	4,654	(38)	(13,623)	33,785
EBITDA margin	20.3%	24.6%			14.7%
Rent adjustment	(5,830)	(510)	(10)	(19)	(6,369)
Adjusted EBITDA	36,962	4,144	(48)	(13,642)	27,416
EBITDA margin	17.6%	21.9%			12.0%

## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

YTD FY19	mydentist £'000	Dental Directory £'000	Central costs and intra- segment eliminations £'000	Total £'000
<i>Revenue</i>				
NHS dentistry	175,564	-	-	175,564
Private dentistry	51,311	-	-	51,311
Non-dental practice revenue	1,275	67,629	(14,061)	54,843
<b>Total revenue</b>	<b>228,150</b>	<b>67,629</b>	<b>(14,061)</b>	<b>281,718</b>
Gross profit	110,286	17,752	(3,009)	125,029
<i>Gross margin</i>	48.3%	26.2%		44.4%
Overheads	(85,405)	(16,034)	1,250	(100,189)
<i>Overheads % of revenue</i>	37.4%	23.7%		35.6%
Other income	996	-	-	996
<b>EBITDA before non-underlying items</b>	<b>25,877</b>	<b>1,718</b>	<b>(1,759)</b>	<b>25,836</b>
<i>EBITDA margin</i>	11.3%	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 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
<b>Segment operating profit/(loss)</b>	<b>(14,708)</b>	<b>(2,310)</b>	<b>(1,587)</b>	<b>(18,605)</b>
Net finance costs				(21,550)
<b>Loss before income tax</b>				<b>(40,155)</b>
<b>Segment assets</b>	<b>681,604</b>	<b>109,726</b>	<b>(3,132)</b>	<b>788,198</b>
<b>Segment liabilities</b>	<b>(177,110)</b>	<b>(116,193)</b>	<b>(452,207)</b>	<b>(745,510)</b>
<i>Additions in the period</i>				
Goodwill		200	-	200
Property, plant and equipment	12,592	871	(562)	12,901

## Notes

Forming part of the financial statements

### 4 Segment reporting (continued)

{my}dentist YTD FY19	General Dental				{my}dentist £'000
	Practices £'000	Orthodontics £'000	Disposals £'000	Central Costs £'000	
<i>Revenue</i>					
NHS dentistry	157,647	14,395	3,522	-	175,564
Private dentistry	45,739	4,800	772	-	51,311
Non-dental practice revenue	49	-	1,226	-	1,275
<b>Total revenue</b>	<b>203,435</b>	<b>19,195</b>	<b>5,520</b>	<b>-</b>	<b>228,150</b>
Gross profit	97,741	9,330	3,215	-	110,286
<i>Gross margin</i>	<i>48.0%</i>	<i>48.6%</i>	<i>58.2%</i>		<i>48.3%</i>
Overheads	(63,713)	(4,597)	(1,521)	(15,573)	(85,405)
<i>Overheads % of revenue</i>	<i>31.3%</i>	<i>24.0%</i>	<i>27.6%</i>		<i>37.4%</i>
Other income	988	-	8	-	996
EBITDA before non-underlying items	35,015	4,733	1,702	(15,573)	25,877
<i>EBITDA margin</i>	<i>17.2%</i>	<i>24.7%</i>	<i>30.8%</i>		<i>11.3%</i>
Rent adjustment	-	-	-	-	-
Adjusted EBITDA	35,015	4,733	1,702	(15,573)	25,877
<i>EBITDA margin</i>	<i>17.2%</i>	<i>24.7%</i>	<i>30.8%</i>		<i>11.3%</i>

## Notes

Forming part of the financial statements

### 5 Taxation

	Q2 FY20 £'000	Q2 FY19 £'000
Current income tax		
Current income tax for the period	-	-
Total current income tax	-	-
Deferred income tax		
Origin and reversal of temporary differences	(1,632)	(1,422)
Total deferred income tax	(1,632)	(1,422)
Total income tax credit	(1,632)	(1,422)
	YTD FY20 £'000	YTD FY19 £'000
Current income tax		
Current income tax for the period	-	-
Total current income tax	-	-
Deferred income tax		
Origin and reversal of temporary differences	(3,955)	(4,249)
Total deferred income tax	(3,955)	(4,249)
Total income tax credit	(3,955)	(4,249)

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 FY20	Q2 FY19
	£'000	£'000
Current		
Trade payables	25,559	19,128
Accruals and deferred income	129,383	127,165
Other taxation and social security	2,984	3,184
Contingent consideration	2,214	932
Government grants	50	56
	<u>160,190</u>	<u>150,465</u>
Non-current		
Contingent consideration	104	2,130
Government grants	65	122
	<u>169</u>	<u>2,252</u>

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 £85.1m in respect of UDAs not delivered in FY20 and earlier years (Q2 FY19: £85.3m) along with fees of £21.0m payable to self-employed dentists in respect of work completed (Q2 FY19: £19.2m).

## Notes

Forming part of the financial statements

### 7 Borrowings

	Q2 FY20 £'000	Q2 FY19 £'000
Non-current		
<i>Senior secured, floating rate and second lien notes</i>		
Due between two and five years	552,154	551,379
Due after five years	-	-
	<u>552,154</u>	<u>551,379</u>
<i>Bank loans</i>		
Due between two and five years	25,000	5,000
	<u>25,000</u>	<u>5,000</u>
Less: unamortised arrangement fees and related costs	(5,677)	(7,470)
	<u>(5,677)</u>	<u>(7,470)</u>
Total non-current loans and borrowings	571,477	548,909

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

### Impact of adoption of IFRS 16

The tables on the following pages set out the impact of the adoption of IFRS 16 on the Consolidated income statement for the quarter ended 30 September 2019, the Consolidated income statement for the six months ended 30 September 2019, the Consolidated balance sheet as at the transition date of 1 April 2019 and as at 30 September 2019 and the Consolidated cash flow for the quarter ended 30 September 2019 and for the six months ended 30 September 2019.

### Consolidated income statement (unaudited)

For the quarter ended 30 September 2019

	Q2 FY20			Q2 FY20
	Previous IFRS £'000	IFRS 16 £'000	Deferred tax £'000	As reported £'000
Revenue	151,709			151,709
Cost of sales	(87,029)			(87,029)
Gross profit	64,680	-	-	64,680
Distribution costs	(4,865)			(4,865)
Administrative expenses	(58,474)	361		(58,113)
Other operating income	466			466
Other losses	(271)			(271)
Operating profit	1,536	361	-	1,897
EBITDA before non-underlying items	15,939	3,497		19,436
Amortisation of intangible assets	(7,633)			(7,633)
Depreciation	(5,394)	(3,136)		(8,530)
Amortisation of government grant income	13			13
Impairment of intangible assets	(361)			(361)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	244			244
Value of employee services arising from shares granted	(269)			(269)
Other non-underlying items	(732)			(732)
Foreign exchange losses	(271)			(271)
Operating profit	1,536	361	-	1,897
Finance costs	(10,997)	(691)		(11,688)
Finance income	15			15
Net finance costs	(10,982)	(691)	-	(11,673)
Loss before income tax	(9,446)	(330)	-	(9,776)
Income tax credit	1,576		56	1,632
Loss for the period	(7,870)	(330)	56	(8,144)
Attributable to:				
Owners of the parent	(7,870)	(330)	56	(8,144)
Non-controlling interests	-			-
	(7,870)	(330)	56	(8,144)

## Appendix A

### Impact of adoption of IFRS 16

#### Consolidated income statement (unaudited)

For the six months ended 30 September 2019

	YTD 2019		YTD 2020	
	Previous IFRS £'000	IFRS 16 £'000	Deferred tax £'000	As reported £'000
Revenue	290,734			290,734
Cost of sales	(165,654)			(165,654)
Gross profit	125,080	-	-	125,080
Distribution costs	(9,363)			(9,363)
Administrative expenses	(117,973)	673		(117,300)
Other operating income	886			886
Other losses	55			55
Operating loss	(1,315)	673	-	(642)
EBITDA before non-underlying items	27,429	6,994		34,423
Amortisation of intangible assets	(15,272)			(15,272)
Depreciation	(10,763)	(6,321)		(17,084)
Amortisation of government grant income	26			26
Impairment of intangible assets	(864)			(864)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	339			339
Value of employee services arising from shares granted	(538)			(538)
Other non-underlying items	(1,727)			(1,727)
Foreign exchange gains	55			55
Operating loss	(1,315)	673	-	(642)
Finance costs	(22,030)	(1,733)		(23,763)
Finance income	23			23
Net finance costs	(22,007)	(1,733)	-	(23,740)
Loss before income tax	(23,322)	(1,060)	-	(24,382)
Income tax credit	3,775		180	3,955
Loss for the period	(19,547)	(1,060)	180	(20,427)
Attributable to:				
Owners of the parent	(19,547)	(1,060)	180	(20,427)
Non-controlling interests	-			-
	(19,547)	(1,060)	180	(20,427)

## Appendix A

### Impact of adoption of IFRS 16

#### Consolidated balance Sheet (unaudited)

As at 30 September 2019

	Q2 FY20			As at 31 March 2019	Opening adjustment	As at 1 April 2019	
	Previous IFRS £'000	IFRS 16 £'000	Deferred tax £'000	As reported £'000	As previously reported £'000	IFRS 16 £'000	As reported £'000
<b>Non-current assets</b>							
Goodwill	224,286			224,286	224,285		224,285
Other intangible assets	314,830			314,830	330,966		330,966
Property, plant and equipment	100,129	87,747		187,876	95,175	94,068	189,243
Deferred tax income tax assets	22,141		180	22,321	20,118		20,118
	661,386	87,747	180	749,313	670,544	94,068	764,612
<b>Current assets</b>							
Inventories	29,317			29,317	28,400		28,400
Trade and other receivables	51,102			51,102	39,732		39,732
Current income tax	40			40	40		40
Cash and cash equivalents	14,050			14,050	8,861		8,861
	94,509	-	-	94,509	77,033	-	77,033
Assets classified as held for sale	-			-	-		-
<b>Total assets</b>	<b>755,895</b>	<b>87,747</b>	<b>180</b>	<b>843,822</b>	<b>747,577</b>	<b>94,068</b>	<b>841,645</b>
<b>Equity attributable to the owners of the parent</b>							
Share capital	410,961			410,961	410,961		410,961
Accumulated losses	(424,635)	(1,060)	180	(425,515)	(405,535)		(405,535)
	(13,674)	(1,060)	180	(14,554)	5,426	-	5,426
Non-controlling interest	-			-	-		-
<b>Total equity</b>	<b>(13,674)</b>	<b>(1,060)</b>	<b>180</b>	<b>(14,554)</b>	<b>5,426</b>	<b>-</b>	<b>5,426</b>
<b>Non-current liabilities</b>							
Borrowings	571,477			571,477	570,177		570,177
Other payables	169			169	229		229
Deferred income tax liabilities	29,091			29,091	30,751		30,751
Post employment benefits	593			593	593		593
Provisions	7,060			7,060	7,757		7,757
Other liabilities - leases	-	74,657		74,657	-	79,749	79,749
<b>Total non-current liabilities</b>	<b>608,390</b>	<b>74,657</b>	<b>-</b>	<b>683,047</b>	<b>609,507</b>	<b>79,749</b>	<b>689,256</b>
<b>Current liabilities</b>							
Trade and other payables	159,720	470		160,190	130,371		130,371
Provisions	1,348			1,348	1,794		1,794
Other liabilities - leases	-	13,680		13,680	-	14,319	14,319
Derivative financial instruments	111			111	479		479
<b>Total current liabilities</b>	<b>161,179</b>	<b>14,150</b>	<b>-</b>	<b>175,329</b>	<b>132,644</b>	<b>14,319</b>	<b>146,963</b>
<b>Total liabilities</b>	<b>769,569</b>	<b>88,807</b>	<b>-</b>	<b>858,376</b>	<b>742,151</b>	<b>94,068</b>	<b>836,219</b>
<b>Total equity and liabilities</b>	<b>755,895</b>	<b>87,747</b>	<b>180</b>	<b>843,822</b>	<b>747,577</b>	<b>94,068</b>	<b>841,645</b>

## Appendix A

### Impact of adoption of IFRS 16

#### Consolidated cash flow (unaudited)

For the quarter ended 30 September 2019

	Q2 FY20		
	Previous IFRS £'000	IFRS 16	As reported
Cash flows from operating activities			
Loss before taxation	(9,446)	(330)	(9,776)
Depreciation of property, plant and equipment	5,394	3,136	8,530
Amortisation of government grants	(13)		(13)
Amortisation of intangible assets	7,633		7,633
Finance costs	10,997	691	11,688
Finance income	(15)		(15)
Loss on business and asset disposals	(198)		(198)
Impairment of intangible assets	361		361
Net unrealised foreign exchange losses	290		290
Value of employee services arising from shares granted to directors and employees	269		269
Cash generated from operations before movements in working capital	15,272	3,497	18,769
Changes in working capital			
Movement in inventories	246		246
Movement in trade and other receivables	(7,477)		(7,477)
Movement in trade and other payables	16,320		16,320
Movement in provisions	(498)		(498)
Cash generated from operations	23,863	3,497	27,360
Cash flows from investing activities			
Acquisitions (net of cash acquired)	(28)		(28)
Proceeds from sale of practices	(10)		(10)
Purchase of property, plant and equipment	(6,702)		(6,702)
Proceeds from business and asset disposals	12		12
Interest received	15		15
Net cash outflow from investing activities	(6,713)	-	(6,713)
Cash flows from financing activities			
Bank and bond interest paid	(14,627)		(14,627)
Principal element of lease payments	-	(3,497)	(3,497)
Net cash outflow from financing activities	(14,627)	(3,497)	(18,124)
Net increase in cash and cash equivalents	2,523	-	2,523
Cash and cash equivalents at the beginning of the period	11,527		11,527
Cash and cash equivalents at the end of the period	14,050	-	14,050

## Appendix A

### Impact of adoption of IFRS 16

#### Consolidated cash flow (unaudited)

For the six months ended 30 September 2019

	YTD FY20		
	Previous IFRS £'000	IFRS 16	As reported
Cash flows from operating activities			
Loss before taxation	(23,322)	(1,060)	(24,382)
Depreciation of property, plant and equipment	10,763	6,321	17,084
Amortisation of government grants	(26)		(26)
Amortisation of intangible assets	15,272		15,272
Finance costs	22,030	1,733	23,763
Finance income	(23)		(23)
Loss on business and asset disposals	(307)		(307)
Impairment of intangible assets	864		864
Net unrealised foreign exchange losses	(368)		(368)
Value of employee services arising from shares granted to directors and employees	539		539
Cash generated from operations before movements in working capital	25,422	6,994	32,416
Changes in working capital			
Movement in inventories	(917)		(917)
Movement in trade and other receivables	(11,601)		(11,601)
Movement in trade and other payables	29,237		29,237
Movement in provisions	(886)		(886)
Cash generated from operations	41,255	6,994	48,249
Cash flows from investing activities			
Acquisitions (net of cash acquired)	(360)		(360)
Proceeds from sale of practices	(17)		(17)
Purchase of property, plant and equipment	(15,147)		(15,147)
Proceeds from business and asset disposals	26		26
Interest received	23		23
Net cash outflow from investing activities	(15,475)	-	(15,475)
Cash flows from financing activities			
Drawdown of bank loans	5,000		5,000
Repayment of bank loans	(5,000)		(5,000)
Bank and bond interest paid	(20,591)		(20,591)
Principal element of lease payments	-	(6,994)	(6,994)
Net cash outflow from financing activities	(20,591)	(6,994)	(27,585)
Net increase in cash and cash equivalents	5,189	-	5,189
Cash and cash equivalents at the beginning of the period	8,861		8,861
Cash and cash equivalents at the end of the period	14,050	-	14,050