IDH Finance plc

Quarterly Financial Report
3 months ended 30 June 2019

Contents

Presentation of financial data

This report summarises consolidated financial and operating data derived from the unaudited consolidated financial statements of Turnstone Midco 2 Limited, the parent company of IDH Finance plc. The summary financial information provided has been derived from our records for the three month accounting period to 30 June 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 June 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 June 2019 ("Q1 FY20") of £139.0m, which was 2.4% lower than the three months ended 30 June 2018 ("Q1 FY19").
- Q1 FY20 like-for-like private revenue growth per working day of 16.0%.
- Q1 FY20 gross margin percentage of 43.4% a decrease of 0.8% from 44.2% in Q1 FY19.
- Reported EBITDA before non-underlying items for the three months ended 30 June 2019 of £15.0m (10.8% 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 June 2019 less cash paid for rental and other previously categorised operating leases ("Adjusted EBITDA") of £11.5m (8.3% of revenue) is 6.0% behind the three months to 30 June 2018 (£12.2m, 8.6% of revenue).
- Like-for-like UDA delivery per working day down 4.8% for the quarter.
- LTM Adjusted EBITDA of £57.4m and estimated pro-forma LTM Adjusted EBITDA of £58.4m.
- During the quarter, one greenfield site was opened – 604 total practices at 30 June 2019.
- Cash generated from operations before movements in working capital increased by £2.5m to £13.6m, mainly as a result of a change in the classification of cash flows due to the adoption of IFRS 16. Cash generated from operations of £20.9m (Q1 FY19: £12.3m).
- Maintenance capital expenditure for the quarter ended 30 June 2019 was £8.4m.
- Cash conversion after working capital and maintenance capital expenditure was 121.0%.
- Cash and cash equivalents at 30 June 2019 of £11.5m and net debt was £559.3m.
- Gearing levels are 9.75 times and 9.59 times LTM Adjusted EBITDA and estimated pro-forma LTM Adjusted EBITDA respectively.

- 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 June 2018 have 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 £0.3m increase in operating profit for Q1 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 £1.0m 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 June 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 April 2018 to 31 March 2019 and for the quarter ended 30 June 2019 are provided below:

Key performance indicators	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenue (£m)	142.4	139.3	145.5	144.7	139.0
EBITDA calculated under IFRS 16 (£m) (1)	15.9	17.4	19.1	20.5	15.0
Rent adjustment (£m)	3.7	3.8	3.7	3.6	3.5
Adjusted EBITDA (£m) (2)	12.2	13.6	15.4	16.9	11.5
LTM Adjusted EBITDA (£m)	55.2	55.3	56.0	58.1	57.4
Operating loss (£m)	(17.1)	(1.5)	(4.5)	(16.9)	(2.5)
NHS dentistry services as a percentage of dental practice revenue	77.5%	77.2%	77.8%	77.7%	74.1%
Private dentistry services as a percentage of dental practice revenue	22.5%	22.8%	22.2%	22.3%	25.9%
Non-dental practice revenue as a percentage of group revenue	19.8%	19.2%	18.6%	19.3%	20.0%
Like-for-like private revenue growth	7.2%	4.7%	6.0%	7.9%	14.1%
Like-for-like private revenue growth per working day	5.5%	4.7%	4.4%	7.9%	16.0%
Gross profit margin %	44.2%	44.6%	44.1%	45.0%	43.4%
Adjusted overheads as a percentage of revenue	36.0%	35.1%	33.9%	33.6%	35.5%
Adjusted EBITDA margin %	8.6%	9.8%	10.6%	11.7%	8.3%
Number of dental practices	635	625	609	603	604
Maintenance capital expenditure (£m)	4.8	6.3	6.3	7.0	8.4
Cash conversion after maintenance capital expenditure %	68.4%	82.0%	-46.2%	47.7%	121.0%
Estimated pro-forma adjusted EBITDA (£m)	57.6	57.3	57.8	59.4	58.4

The numbers shaded in blue are the reported EBITDA for each quarter. For Q1-Q4 FY19, this is stated after the deduction of rental and other lease charges. For Q1 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 should IFRS 16 have been adopted in FY19 and the reported position for Q1 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	Q2	Q3	Q4	Full year
	£'000	£'000	£'000	£'000	£'000
FY18					
Reported EBITDA	12,108	13,507	14,698	14,802	55,115
Lease adjustment	3,864	3,762	3,698	3,620	14,943
EBITDA under IFRS 16	15,972	17,269	18,396	18,422	70,058
FY19					
Reported EBITDA	**12,220**	13,616	15,369	16,900	58,105
Lease adjustment	3,700	3,757	3,749	3,610	14,815
EBITDA under IFRS 16	15,920	17,373	19,118	20,510	72,920
FY20					
Adjusted EBITDA	11,490				
Lease adjustment	3,497				
Reported EBITDA IFRS 16	**14,987**				

Practice numbers

During the quarter, one greenfield site was opened. In total, {my}dentist operated 604 practices at 30 June 2019 (30 June 2018: 635).

Revenue

Group revenue decreased by £3.4m, or 2.4%, from £142.4m for the three month period ended 30 June 2018 ("Q1 FY19") to £139.0m for the three month period to 30 June 2019 ("Q1 FY20").

{my}dentist revenue decreased by £3.7m from £115.0m to £111.3m with £3.1m due to the impact of FY2019 disposals.

Revenue from DD increased by £0.5m from £34.5m in Q1 FY19 to £35.0m in Q1 FY20.

Group revenue	Q1 FY20	Q1 FY19	Movement
	£'000	£'000	£'000
NHS revenue	75,965	80,065	(4,100)
Private revenue	26,548	22,837	3,711
Dental practices	102,513	102,901	(388)
Orthodontics	8,763	8,962	(199)
Practice disposals	(3)	3,112	(3,115)
Non-dental practice revenue	47	31	16
Total {my}dentist revenue	111,320	115,006	(3,686)
DD revenue	34,970	34,475	495
Eliminations	(7,265)	(7,040)	(225)
Total revenue	139,025	142,441	(3,416)

NHS revenue

NHS revenue for the quarter ended 30 June 2019 was £82.5m, a decrease of £6.1m or 6.9% from £88.6m in Q1 FY19.

NHS revenue generated from base dental practices, excluding disposals and orthodontic revenue, decreased from £80.1m to £76.0m. This movement is due to a fall in like for like UDA delivery of 4.8% per working day offset by a contract uplift of 1.5%.

The annual contract uplift for FY20 has not yet been confirmed. The government has announced that they will accept the DDRB recommendation for an increase in the "fees" element of the total uplift of 2.5%, backdated to 1 April 2019. No announcement has yet been made about the "expenses" element of the contract uplift. Revenue has been recognised in Q1 on the basis of a 1.5% annual uplift.

Private revenue

Private revenue for the quarter ended 30 June 2019 was £28.8m, 12.0% higher than £25.7m for the equivalent period in FY19.

Private revenue excluding disposals and orthodontic revenue increased by £3.7m. Private revenue growth has been driven by the roll-out of the {my}options affordable private dentistry proposition to 162 practices by the end of Q1 FY20. LFL private growth, adjusted for the number of working days, was 16.0% and this also included strong revenue growth in our Advanced Oral Health Centres.

Orthodontic revenue – {my}orthodontist

Orthodontic revenue for the quarter ended 30 June 2019 was £8.8m, a decrease of £0.2m or 2.2% from £9.0m in Q1 FY19.

DD revenue

Revenue of £35.0m (Q1 FY19: £34.5m) 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. Continued investment in customer service has also significantly improved operational effectiveness.

Cost of sales

Gross margin for the quarter ended 30 June 2019 was 43.4%, a 0.8% decrease from 44.2% in the quarter ended 30 June 2018. {my}dentist gross margin for Q1 FY20 was 47.3% (Q1 FY19: 48.4%) and gross margin in DD was 25.9% (Q1 FY19: 25.8%).

Cost of sales decreased by £0.9m, or 1.1%, from £79.5m to £78.6m for the quarter ended 30 June 2019 reflecting the lower revenue generated in {my}dentist.

The reduction in {my}dentist gross margin results predominantly from an increase in locum costs and changes in sales mix.

Overheads

Overheads, including administrative expenses, distribution costs, amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £63.7m for Q1 FY20, a decrease of £17.0m from £80.7m in the three months to 30 June 2018. This decrease is principally due to a £15.2m decrease in disposal charges recognised in Q1 FY20 (£0.1m credit) compared to last year (£15.1m charge).

Q1 FY19 overheads included rent charges of £3.7m. Following the adoption of IFRS 16 on 1 April 2019, rent charges are not included in overheads. However, depreciation (relating to the right of use lease asset) has increased by £3.2m.

An impairment of £0.5m was recognised in Q1 FY20 relating to permanent contract cuts agreed with the NHS in this quarter, compared to no impairment in Q1 FY19.

Overheads excluding amortisation and impairment of intangible assets, depreciation, grant income and other non-underlying items were £45.8m, £5.4m lower than Q1 FY19 (£51.3m). As discussed above, £3.7m of this decrease relates to the changes in classifications of rent charges in Q1 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 June 2019, staff costs were £32.8m, a decrease of £1.7m from £34.5m in Q1 FY19.

Dental equipment and practice property maintenance costs for Q1 FY20 were £2.4m, £0.4m lower than Q1 FY19.

The calculation of Adjusted EBITDA includes the recognition of cash rental and other operating lease charges of £3.5m in overheads for Q1 FY20.

Other operating income

Other operating income for the three months ended 30 June 2019 was £0.4m. Other operating income includes contractual support received from Scottish Health Boards to assist in the upkeep of our Scottish dental practices (based on the proportion of NHS treatment carried out by each practice) and property rental income.

Other gains

Other gains include net realised and unrealised foreign exchange gains and losses arising in 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 June 2019 was £15.0m, £2.8m up on Q1 FY19 of £12.2m (+22.6%).

Adjusted EBITDA, earnings before interest, tax, depreciation, amortisation and non-underlying items less cash rental payments, for the three months ended 30 June 2019 was £11.5m, £0.7m down on Q1 FY19 of £12.2m -6.0%).

Adjusted EBITDA for the quarter in {my}dentist was £0.7m lower than Q1 FY19 at £11.9m (-5.9%) but DD was up by £0.4m.

Non-underlying items

Other non-underlying items of £1.0m principally relate to one-off legal and professional costs.

Estimated pro-forma LTM Adjusted EBITDA

	£'000
LTM Adjusted EBITDA before exceptional items at 30 June 2019	57,375
Estimated Adjusted EBITDA of acquired dental practices at 30 June 2019	70
EBITDA from disposals completed by June - add back trading losses in LTM EBITDA	906
Estimated pro-forma Adjusted EBITDA	58,351

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 July 2018 to 30 June 2019.

Finance costs

Finance costs of £12.1m in Q1 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 the amortisation of debt arrangement fees and non-utilisation fees and interest payable in respect of the Super Senior Revolving Credit Facility ("SSRCF"). A further £1.0m relates to unwinding of the discount on the lease liability following the adoption of IFRS 16.

Debt and liquidity

At 30 June 2019, net debt was £559.3m, 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 £2.7m. This arises from a cash inflow from operating activities of £20.9m, £0.3m expenditure on previous year acquisitions, £8.4m capital expenditure, £6.0m for the servicing of finance and £3.5m lease payments (included in financing activities following the adoption of IFRS 16).

Working capital movements

Cash generated from operations increased from £12.3m in Q1 FY19 to a £20.9m in Q1 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 an increase in trade and other payables.

Capital expenditure

Capital expenditure for Q1 FY20 was £8.4m (Q1 FY19: £4.8m). 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 121.0% compared to 68.4% in the corresponding quarter in FY19.

Cash conversion excluding working capital movements was 26.5% (Q1 FY19: 61.0%).

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

With effect from 26 July 2019, Omar Shafi Khan resigned as a non-Executive Director of Turnstone Equityco 1 Limited, the group’s ultimate parent company.

Turnstone Midco 2 Limited

Condensed interim consolidated financial statements – Unaudited

Quarter ended 30 June 2019

Consolidated income statement (unaudited)

For the quarter ended 30 June 2019

	Note	Q1 FY20 £'000	Q1 FY19 £'000
Revenue	4	139,025	142,441
Cost of sales		(78,625)	(79,481)
Gross profit	4	60,400	62,960
Distribution costs		(4,498)	(4,501)
Administrative expenses		(59,186)	(76,181)
Other operating income		420	523
Other gains		326	86
Operating loss	4	(2,538)	(17,113)
EBITDA before non-underlying items	4	14,987	12,220
Amortisation of intangible assets		(7,639)	(7,844)
Depreciation		(8,554)	(5,349)
Amortisation of government grant income		13	14
Impairment of intangible assets		(503)	-
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices		95	(15,078)
Value of employee services arising from shares granted		(269)	(269)
Other non-underlying items		(994)	(893)
Foreign exchange gains		326	86
Operating loss	4	(2,538)	(17,113)
Finance costs		(12,075)	(10,755)
Finance income		8	9
Net finance costs		(12,067)	(10,746)
Loss before income tax	4	(14,605)	(27,859)
Income tax credit	5	2,323	2,827
Loss for the period		(12,282)	(25,032)
Attributable to:			
Owners of the parent		(12,282)	(25,044)
Non-controlling interests		-	12
		(12,282)	(25,032)

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 June 2019

	Note	Q1 FY20 £'000	Q1 FY19 £'000
Non-current assets			
Goodwill		224,286	240,457
Other intangible assets		322,824	358,511
Property, plant and equipment		189,267	91,508
Deferred tax income tax assets		21,552	17,578
		757,929	708,054
Current assets			
Inventories		29,563	24,483
Trade and other receivables		43,605	44,173
Current income tax		40	-
Derivative financial instruments		179	67
Cash and cash equivalents		11,527	15,079
		84,914	83,802
Assets classified as held for sale		-	3,931
Total assets		842,843	795,787
Equity attributable to the owners of the parent			
Share capital		410,961	410,961
Accumulated losses		(417,594)	(357,766)
		(6,633)	53,195
Non-controlling interest		-	145
Total equity		(6,633)	53,340
Non-current liabilities			
Borrowings	*7*	570,828	548,276
Other payables	*6*	203	2,281
Deferred income tax liabilities		29,908	34,989
Post employment benefits		593	517
Provisions		7,447	7,393
Other liabilities - leases		77,346	-
Total non-current liabilities		686,325	593,456
Current liabilities			
Trade and other payables	*6*	147,460	147,155
Provisions		1,680	1,836
Other liabilities - leases		14,011	-
Total current liabilities		163,151	148,991
Total liabilities		849,476	742,447
Total equity and liabilities		842,843	795,787

Consolidated statement of changes in equity (unaudited)

For the quarter ended 30 June 2019

Q1 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	-	(12,282)	(12,282)	-	(12,282)
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	(417,594)	(6,633)	-	(6,633)

Q1 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	-	(25,044)	(25,044)	12	(25,032)
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	-	(45)	(45)	-	(45)
Total transactions with owners	-	224	224	-	224
Balance at end of the period	410,961	(357,766)	53,195	145	53,340

Consolidated cash flow statement (unaudited)

For the quarter ended 30 June 2019

	Q1 FY20 £'000	Q1 FY19 £'000
Cash flows from operating activities		
Loss before taxation	(14,605)	(27,859)
Depreciation of property, plant and equipment	8,554	5,349
Amortisation of government grants	(13)	(14)
Amortisation of intangible assets	7,639	7,844
Finance costs	12,075	10,755
Finance income	(8)	(9)
Loss on business and asset disposals	(109)	15,078
Impairment of intangible assets	503	-
Differences between contingent consideration paid and initial estimates	-	-
Defined benefit pension scheme service cost	-	-
Net unrealised foreign exchange losses	(658)	(234)
Value of employee services arising from shares granted to directors and employees	269	269
Cash generated from operations before movements in working capital	13,647	11,179
Changes in working capital		
Movement in inventories	(1,163)	(3,344)
Movement in trade and other receivables	(4,124)	(2,946)
Movement in trade and other payables	12,917	7,684
Movement in provisions	(388)	(294)
Cash generated from operations	20,889	12,279
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(332)	(3,544)
Proceeds from sale of practices	(7)	559
Purchase of property, plant and equipment	(8,445)	(4,768)
Proceeds from business and asset disposals	14	-
Interest received	8	9
Net cash outflow from investing activities	(8,762)	(7,744)
Cash flows from financing activities		
Drawdown of bank loans	5,000	-
Repayment of bank loans	(5,000)	-
Bank and bond interest paid	(5,964)	(5,648)
Principal element of lease payments	(3,497)	-
Net cash outflow from financing activities	(9,461)	(5,648)
Net increase/(decrease) in cash and cash equivalents	2,666	(1,113)
Cash and cash equivalents at the beginning of the period	8,861	16,192
Cash and cash equivalents at the end of the period	11,527	15,079

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

For the quarter ended 30 June 2019

	Q1 FY20 £'000	Q1 FY19 £'000
Increase/(decrease) in cash for the period	2,666	(1,113)
Drawdown of bank loans	(5,000)	-
Repayment of bank loans	5,000	-
Total cash movement in net debt	2,666	(1,113)
Amortisation of loan arrangement fees	(651)	(635)
Total non-cash movement in net debt	(651)	(635)
Total movement in net debt	2,015	(1,748)
Net debt brought forward	(561,316)	(531,449)
Net debt carried forward	(559,301)	(533,197)

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 June 2019. Comparative results are provided for the quarter ended 30 June 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.

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 June 2018 have 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 June 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 £3.2m. An interest charge of £1.0m has also been charged to finance costs in relation to the unwinding of the discount on the lease liability. A deferred tax asset of £0.1m 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

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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.

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d) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of consideration paid on acquisition of a business over the fair value of assets, including any intangible assets identified, liabilities and contingent liabilities acquired.

Goodwill is tested for impairment at least annually.

On disposal of a subsidiary, the attributable net book value of goodwill, based on relative fair value, is included in the determination of the profit or loss on disposal.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are determined by using appropriate valuation techniques.

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

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

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

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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

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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

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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 Q1 FY20. A goodwill impairment has been recognised for £0.5m 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 June 2019, there are no assets held for sale (Q1 FY19: £3.9m).

(b) Critical estimates

Valuation of intangibles acquired in business combinations

Determining the fair value of contractual arrangements and customer relationships acquired in business combinations requires estimation of the value of the cash flows related to those arrangements or relationships and a suitable discount rate in order to calculate the present value.

Determining the fair value of brands or trademarks acquired in business combinations requires estimation of the discounted royalty payments that would have to be paid to acquire the brand or trademark if it had not been acquired as part of a business combination.

Useful economic lives of intangible assets

Intangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. Useful lives are periodically reviewed for their continued appropriateness. Changes to estimates can result in changes in the carrying values and hence change the amounts charged to the income statement in particular periods which could be significant.

Notes

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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 June 2019 (30 June 2018: 635).

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)*

Q1 FY20	{my}dentist £'000	DD £'000	Group costs and intra-segment eliminations £'000	Total £'000
Revenue				
NHS dentistry	82,485	-	-	82,485
Private dentistry	28,788	-	-	28,788
Non-dental practice revenue	47	34,970	(7,265)	27,752
Total revenue	111,320	34,970	(7,265)	139,025
Gross profit	52,697	9,044	(1,341)	60,400
Gross margin	*47.3%*	*25.9%*		*43.4%*
Overheads	(37,990)	(7,909)	66	(45,833)
Overheads % of revenue	*34.1%*	*22.6%*		*33.0%*
Other income	420	-	-	420
EBITDA before non-underlying items	15,127	1,135	(1,275)	14,987
EBITDA margin	*13.6%*	*3.2%*		*10.8%*
Amortisation of intangible assets	(6,787)	(852)	-	(7,639)
Depreciation	(7,942)	(724)	112	(8,554)
Amortisation of government grant income	13	-	-	13
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	95	-	-	95
Value of employee services arising from shares granted	(269)	-	-	(269)
Other non-underlying items	(353)	(641)	-	(994)
Foreign exchange gains	-	326	-	326
Segment operating profit/(loss)	(619)	(756)	(1,163)	(2,538)
Net finance costs				(12,067)
Loss before income tax				(14,605)
Segment assets	740,801	106,581	(4,538)	842,843
Segment liabilities	(242,759)	(134,235)	(472,483)	(849,476)
Additions in the period				
Goodwill	-	-	-	-
Property, plant and equipment	7,807	1,156	(401)	8,562

Notes

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4 Segment reporting *(continued)*

In order to provide comparability with Q1 FY19 financial information, the table below shows the impact of rental and other lease charges and the Adjusted EBITDA for each segment.

Q1 FY20	{my}dentist	DD	Group costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
EBITDA before non-underlying items	15,127	1,135	(1,275)	14,987
Rental charges	(3,229)	(268)	-	(3,497)
Adjusted EBITDA	11,898	867	(1,275)	11,490
EBITDA margin %	*10.7%*	*2.5%*	*17.5%*	*8.3%*

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

{my}dentist Q1 FY20	General Dental Practices	Orthodontics	Disposals	Central Costs	{my}dentist
	£'000	£'000	£'000	£'000	£'000
Revenue					
NHS dentistry	75,965	6,521	(1)	-	82,485
Private dentistry	26,548	2,242	(2)	-	28,788
Non-dental practice revenue	47	-	-	-	47
Total revenue	102,560	8,763	(3)	-	111,320
Gross profit	48,679	4,020	(2)	-	52,697
Gross margin	*47.5%*	*45.9%*			*47.3%*
Overheads	(28,693)	(2,262)	(63)	(6,971)	(37,990)
Overheads % of revenue	*28.0%*	*25.8%*			*34.1%*
Other income	420	-	-	-	420
EBITDA before non-underlying items	20,406	1,758	(65)	(6,971)	15,127
EBITDA margin	*19.9%*	*20.1%*			*13.6%*
Rent adjustment	(2,969)	(240)	(4)	(16)	(3,229)
Adjusted EBITDA	17,437	1,518	(69)	(6,987)	11,898
EBITDA margin	*17.0%*	*17.3%*			*10.7%*

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4 Segment reporting *(continued)*

Q1 FY19	{my}dentist £'000	DD £'000	Group costs and intra-segment eliminations £'000	Total £'000
Revenue				
NHS dentistry	88,615	-	-	88,615
Private dentistry	25,694	-	-	25,694
Non-dental practice revenue	697	34,475	(7,040)	28,132
Total revenue	115,006	34,475	(7,040)	142,441
Gross profit	55,687	8,878	(1,605)	62,960
Gross margin	*48.4%*	*25.8%*		*44.2%*
Overheads	(43,569)	(8,413)	719	(51,263)
Overheads % of revenue	*37.9%*	*24.4%*		*36.0%*
Other income	523	-	-	523
EBITDA before non-underlying items	12,641	465	(886)	12,220
EBITDA margin	*11.0%*	*1.3%*		*8.6%*
Amortisation of intangible assets	(6,992)	(852)	-	(7,844)
Depreciation	(4,937)	(494)	82	(5,349)
Amortisation of government grant income	14	-	-	14
Impairment of intangible assets	-	-	-	-
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	(15,078)	-	-	(15,078)
Value of employee services arising from shares granted	(269)	-	-	(269)
Other non-underlying items	(28)	(865)	-	(893)
Foreign exchange losses	-	86	-	86
Segment operating profit/(loss)	(14,649)	(1,660)	(804)	(17,113)
Net finance costs				(10,746)
Loss before income tax				(27,859)
Segment assets	691,898	107,422	(3,533)	795,787
Segment liabilities	(169,175)	(113,033)	(460,239)	(742,447)
Additions in the period				
Goodwill	-	73	-	73
Property, plant and equipment	6,034	411	(288)	6,157

Notes

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4 Segment reporting *(continued)*

{my}dentist Q1 FY19	General Dental Practices	Orthodontics	Disposals	Central Costs	{my}dentist
	£'000	£'000	£'000	£'000	£'000
Revenue					
NHS dentistry	80,065	6,573	1,977	-	88,615
Private dentistry	22,836	2,389	469	-	25,694
Non-dental practice revenue	31	-	666	-	697
Total revenue	102,932	8,962	3,112	-	115,006
Gross profit	49,702	4,256	1,729	-	55,687
Gross margin	*48.3%*	*47.5%*	*55.6%*		*48.4%*
Overheads	(31,877)	(2,297)	(1,521)	(7,874)	(43,569)
Overheads % of revenue	*31.0%*	*25.6%*	*48.9%*		*37.9%*
Other income	515	-	8	-	523
EBITDA before non-underlying items	18,340	1,959	216	(7,874)	12,641
EBITDA margin	*17.8%*	*21.9%*	*7.0%*		*11.0%*
Rent adjustment	-	-	-	-	-
Adjusted EBITDA	18,340	1,959	216	(7,874)	12,641
EBITDA margin	*17.8%*	*21.9%*	*7.0%*		*11.0%*

Notes

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5 Taxation

	Q1 FY20 £'000	Q1 FY19 £'000
Current income tax		
Current income tax for the period	-	-
Total current income tax	-	-
Deferred income tax		
Origin and reversal of temporary differences	(2,323)	(2,827)
Total deferred income tax	(2,323)	(2,827)
Total income tax credit	(2,323)	(2,827)

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.

6 Trade and other payables

	Q1 FY20 £'000	Q1 FY19 £'000
Current		
Trade payables	24,099	22,729
Accruals and deferred income	118,151	120,814
Other taxation and social security	2,931	2,564
Contingent consideration	2,227	993
Government grants	52	55
	147,460	147,155
Non-current		
Contingent consideration	128	2,145
Government grants	75	136
	203	2,281

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 £69.0m in respect of UDA's not delivered in FY20 and earlier years (Q1 FY19: £72.1m) along with fees of £20.9m payable to self-employed dentists in respect of work completed (Q1 FY19: £21.8m).

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7 Borrowings

	Q1 FY20 £'000	Q1 FY19 £'000
Non-current		
Senior secured, floating rate and second lien notes		
Due between two and five years	551,961	424,490
Due after five years	-	126,696
	551,961	551,186
Bank loans		
Due between two and five years	25,000	5,000
Less: unamortised arrangement fees and related costs	(6,133)	(7,910)
Total non-current loans and borrowings	570,828	548,276

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 June 2019, the Consolidated balance sheet as at the transition date of 1 April 2019 and as at 30 June 2019 and the Consolidated cash flow for the quarter ended 30 June 2019.

Consolidated income statement (unaudited)

For the quarter ended 30 June 2019

	Q1 FY20			*Q1 FY20*
	Previous IFRS	*IFRS 16*	*Deferred tax*	*As reported*
	£'000	£'000	£'000	£'000
Revenue	139,025			139,025
Cost of sales	(78,625)			(78,625)
Gross profit	60,400	-	-	60,400
Distribution costs	(4,498)			(4,498)
Administrative expenses	(59,498)	312		(59,186)
Other operating income	420			420
Other losses	326			326
Operating loss	(2,850)	312	-	(2,538)
EBITDA before non-underlying items	11,490	3,497		14,987
Amortisation of intangible assets	(7,639)			(7,639)
Depreciation	(5,369)	(3,185)		(8,554)
Amortisation of government grant income	13			13
Impairment of intangible assets	(503)			(503)
Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices	95			95
Value of employee services arising from shares granted	(269)			(269)
Other non-underlying items	(994)			(994)
Foreign exchange losses	326			326
Operating loss	(2,850)	312	-	(2,538)
Finance costs	(11,033)	(1,042)		(12,075)
Finance income	8			8
Net finance costs	(11,025)	(1,042)	-	(12,067)
Loss before income tax	(13,875)	(730)	-	(14,605)
Income tax credit	2,199		124	2,323
Loss for the period	(11,676)	(730)	124	(12,282)
Attributable to:				
Owners of the parent	(11,676)	(730)	124	(12,282)
Non-controlling interests	-			-
	(11,676)	(730)	124	(12,282)

Appendix A

Impact of adoption of IFRS 16

Consolidated balance Sheet (unaudited)

As at 30 June 2019

		Q1 FY20			*As at 31 March 2019*	*Opening adjustment*	*As at 1 April 2019*
	Previous IFRS	*IFRS 16*	*Deferred tax*	*As reported*	*As previously reported*	*IFRS 16*	*As reported*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Goodwill	224,286			224,286	224,285		224,285
Other intangible assets	322,824			322,824	330,966		330,966
Property, plant and equipment	98,384	90,883		189,267	95,175	94,068	189,243
Deferred tax income tax assets	21,428		124	21,552	20,118		20,118
	666,922	90,883	124	757,929	670,544	94,068	764,612
Current assets							
Inventories	29,563			29,563	28,400		28,400
Trade and other receivables	43,605			43,605	39,732		39,732
Current income tax	40			40	40		40
Derivative financial instruments	179			179	-		-
Cash and cash equivalents	11,527			11,527	8,861		8,861
	84,914	-	-	84,914	77,033	-	77,033
Assets classified as held for sale	-			-	-		-
Total assets	751,836	90,883	124	842,843	747,577	94,068	841,645
Equity attributable to the owners of the parent							
Share capital	410,961			410,961	410,961		410,961
Accumulated losses	(416,988)	(730)	124	(417,594)	(405,535)		(405,535)
	(6,027)	(730)	124	(6,633)	5,426	-	5,426
Non-controlling interest	-			-	-		-
Total equity	(6,027)	(730)	124	(6,633)	5,426	-	5,426
Non-current liabilities							
Borrowings	570,828			570,828	570,177		570,177
Other payables	203			203	229		229
Deferred income tax liabilities	29,908			29,908	30,751		30,751
Post employment benefits	593			593	593		593
Provisions	7,447			7,447	7,757		7,757
Other liabilities - leases	-	77,346		77,346	-	79,749	79,749
Total non-current liabilities	608,979	77,346	-	686,325	609,507	79,749	689,256
Current liabilities							
Trade and other payables	147,204	256		147,460	130,371		130,371
Provisions	1,680			1,680	1,794		1,794
Other liabilities - leases	-	14,011		14,011	-	14,319	14,319
Derivative financial instruments	-			-	479		479
Total current liabilities	148,884	14,267	-	163,151	132,644	14,319	146,963
Total liabilities	757,863	91,613	-	849,476	742,151	94,068	836,219
Total equity and liabilities	751,836	90,883	124	842,843	747,577	94,068	841,645

Appendix A

Impact of adoption of IFRS 16

Consolidated cash flow (unaudited)

For the quarter ended 30 June 2019

		Q1 FY20	
	Previous IFRS	*IFRS 16*	*As reported*
	£'000		
Cash flows from operating activities			
Loss before taxation	(13,875)	(730)	(14,605)
Depreciation of property, plant and equipment	5,369	3,185	8,554
Amortisation of government grants	(13)		(13)
Amortisation of intangible assets	7,639		7,639
Finance costs	11,033	1,042	12,075
Finance income	(8)		(8)
Loss on business and asset disposals	(109)		(109)
Impairment of intangible assets	503		503
Net unrealised foreign exchange losses	(658)		(658)
Value of employee services arising from shares granted to directors and employees	269		269
Cash generated from operations before movements in working capital	10,150	3,497	13,647
Changes in working capital			
Movement in inventories	(1,163)		(1,163)
Movement in trade and other receivables	(4,124)		(4,124)
Movement in trade and other payables	12,917		12,917
Movement in provisions	(388)		(388)
Cash generated from operations	17,392	3,497	20,889
Cash flows from investing activities			
Acquisitions (net of cash acquired)	(332)		(332)
Proceeds from sale of practices	(7)		(7)
Purchase of property, plant and equipment	(8,445)		(8,445)
Proceeds from business and asset disposals	14		14
Interest received	8		8
Net cash outflow from investing activities	(8,762)	-	(8,762)
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	(5,964)		(5,964)
Principal element of lease payments	-	(3,497)	(3,497)
Net cash outflow from financing activities	(5,964)	(3,497)	(9,461)
Net increase in cash and cash equivalents	2,666	-	2,666
Cash and cash equivalents at the beginning of the period	8,861		8,861
Cash and cash equivalents at the end of the period	11,527	-	11,527