IDH Finance plc

Quarterly Financial Report
3 months ended 31 December 2016

Contents

Presentation of financial data

This report summarises consolidated financial and operating data derived from the unaudited consolidated financial statements of Turnstone Midco 2 Limited, the parent company of IDH Finance plc. The summary financial information provided has been derived from our records for the three month accounting period to 31 December 2016 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. EBITDA represents earnings before interest, tax, depreciation, amortisation and non-underlying items. Our management believes EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt. EBITDA is also used by management to track our business development, establish operational and strategic targets and make important business decisions. EBITDA is the measure commonly used by investors and other interested parties in our industry.

Comparative information has been provided for the quarter ended 31 December 2015 and for the nine months ended 31 December 2015. 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 2016 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 31 December 2016 ("Q3 FY17") was £149.4m. Year on year revenue growth, predominantly driven by acquisitions, was 3.5%.
- Q3 FY17 like-for-like private revenue growth of 6.2%.
- Q3 FY17 gross margin percentage of 43.7% compared to 45.8% in the three months to 31 December 2015 ("Q3 FY16").
- Overheads, excluding depreciation, goodwill amortisation and non-underlying items, as a percentage of revenue were 32.8%, compared to 30.9% in Q3 FY16.
- EBITDA before non-underlying items for the three months ended 31 December 2016 of £16.8m (11.3% of revenue), 23.5% behind the three months to 31 December 2015 (£22.0m, 15.2% of revenue).
- UDA delivery down c.4% year-on-year, for the quarter and year to date.
- LTM EBITDA of £72.5m; and estimated pro-forma adjusted LTM EBITDA of £75.5m.
- Two practices were acquired during the quarter – total practices at 31 December 2016 were 677.
- Total consideration for practice acquisitions including deferred consideration for prior year purchases, was £3.5m.
- Cash generated from operations of £7.7m (Q3 FY16: £17.0m).
- Maintenance capital expenditure for the quarter ended 31 December 2016 was £3.2m.
- Normalised cash conversion adjusting for one-off items in working capital and maintenance capital expenditure was 37.6%.
- Cash and cash equivalents at 31 December 2016 of £9.9m and net debt was £529.7m.
- Gearing levels are 7.30 times and 7.02 times LTM EBITDA and estimated pro-forma adjusted LTM EBITDA respectively.
- 'mydentist' brand rolled out to 480 practices as of 31 December 2016.
- £100m Super Senior Revolving Credit Facility remains undrawn.

NB: Comparative information for the quarter ended 31 December 2015 has been restated in accordance with IFRS.

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

Overview

Integrated Dental Holdings ("IDH") announces its results for the quarter ended 31 December 2016.

IDH is the leading provider of dental services in the United Kingdom with a network of 677 dental practices throughout England, Scotland, Wales and Northern Ireland.

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

The group is also a leading provider of materials, equipment and services to dental practices across the UK through the Practice Services division.

Commentary on results

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

The key performance indicators for the group for the four quarters from 1 October 2015 to 30 September 2016 and for the quarter ended 31 December 2016 are provided below:

Key performance indicators	(1)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Turnover (£m)		144.4	146.7	143.4	142.1	149.4
EBITDA (£m)		22.0	20.8	18.1	16.8	16.8
LTM EBITDA (£m)		80.4	80.2	80.5	77.7	72.5
Operating profit/(loss) (£m)		3.3	6.0	3.7	1.2	(13.4)
NHS dentistry services as a percentage of revenue		68.7%	68.1%	66.4%	66.6%	64.9%
Private dentistry services as a percentage of revenue		15.4%	15.2%	16.4%	16.5%	16.3%
Practice services as a percentage of revenue		15.9%	16.7%	17.2%	16.9%	18.8%
Like-for-like private revenue growth		13.0%	8.2%	10.0%	3.8%	6.2%
Gross profit margin %		45.8%	45.4%	46.0%	44.9%	43.7%
Overheads as a percentage of revenue		30.9%	31.6%	33.7%	33.4%	32.8%
EBITDA margin %		15.2%	14.2%	12.6%	11.9%	11.3%
Number of dental practices		669	672	674	675	677
Maintenance capital expenditure (£m)		5.9	5.8	5.3	5.4	3.2
Cash conversion after maintenance capital expenditure %	(2)	73.3%	96.6%	97.2%	116.7%	36.1%
Estimated pro-forma adjusted EBITDA (£m)		85.9	87.2	85.6	81.0	75.5

(1) Restated in accordance with IFRS.

(2) Normalised cash conversion, after adjusting for one-off items in working capital and maintenance capital expenditure in Q3 FY17 was 37.6% (Q3 FY16: 77.0%).

During the quarter, we acquired two dental practices for a total of 677 dental practices in our estate as at 31 December 2016 (31 December 2015: 669).

Revenue

Group revenue increased by £5.0m, or 3.5%, from £144.4m for the three month period ended 31 December 2015 ("Q3 FY16") to £149.4m for the three month period to 31 December 2016 ("Q3 FY17").

Revenue derived from dental practices decreased by £0.2m from £121.5m to £121.3m. Revenue from our Practice Services division, after the elimination of intragroup trading, increased by £5.2m from £22.9m in Q3 FY16 to £28.1m in Q3 FY17.

Group revenue	Q3 2017	Q3 2016	Movement
	£'000	£'000	£'000
Practices owned as at 1 April 2015	114,338	117,662	(3,324)
Practices acquired or opened:			
During the 12 months ended 31 March 2016	5,787	3,825	1,962
During the 9 months ended 31 December 2016	1,145	-	1,145
Dental practice revenue	121,270	121,487	(217)
Practice services and other revenue	28,147	22,926	5,221
Group revenue	149,417	144,413	5,004

Revenue of £5.8m was contributed by the 35 practices acquired or opened during the period 1 April 2015 to 31 March 2016 ("FY16 acquisitions") in the quarter ended 31 December 2016, a £2.0m increase over the £3.8m contributed by the 28 practices acquired or opened in the first nine months of the last financial year. The six practices acquired during the first nine months of FY17 ("FY17 acquisitions") contributed an additional £1.1m.

NHS revenue

NHS revenue for the quarter ended 31 December 2016 was £96.9m, a decrease of £2.4m or 2.4% from £99.3m in Q3 FY16. An additional £2.4m of revenue was generated by FY16 and FY17 acquisitions.

NHS revenue generated from practices owned at 1 April 2015 reduced from £96.2m to £91.4m. The decrease is principally due to a lower level of UDA performance in the quarter when compared to FY16, partially offset by the 0.7% NHS dentistry contract rate uplift applied to the contracted Units of Dental Activity ("UDA") in England from 1 April 2016.

UDA delivery rates in our patient services division are lower than in FY16 due to increased appointment times, the influence of the successful growth in private revenues, the reduction in the number of eligible exempt patients and changes in band mix. These combined factors mean that the patient services division needs to recruit more clinicians to fulfil the NHS contracts. We have firm plans in place to increase UDA performance by working with dentists to increase their working hours and in the medium to long term, we are looking to recruit more locums (short term) and dentists to increase delivery capacity. We also continue to provide training to improve UDA productivity through improving diary and claim management. Clinician turnover remains at low levels of less than 10% per annum.

Private revenue

Private revenue for the quarter ended 31 December 2016 was £24.3m, 9.5% higher than £22.2m for the equivalent period in FY16.

Like-for-like practices increased private sales by £1.3m, or 6.2%, with acquired practices generating £0.8m additional private revenue. Private revenue growth continues to reflect the benefits from increasing the range of treatment options available to our patients, the offering of additional services including hygienists in addition to certain price increases.

Practice services revenue

Revenue of £28.1m (Q3 FY16: £22.9m) has been generated from The Dental Directory, dbg and other services. The increase of £5.2m principally reflects growth across the high street, health authority and facial aesthetics sectors, primarily from price increases passed onto customers following the decline in the value of the Pound after the EU referendum. The annualised revenue impact of these price increases to date is approximately £6m. The increase in revenue also includes the contributions from PDS Dental Laboratory Leeds Limited ('PDS') and Dolby Medical Limited ('Dolby'), both of which were acquired in March 2016 and equates to £2.0m.

Cost of sales

Gross margin for the quarter ended 31 December 2016 was 43.7% a 2.1% decrease from 45.8% in the quarter ended 31 December 2015. Patient services gross margin for Q3 FY17 was 46.1% (Q3 FY16: 47.8%) and gross margin in our practice services division was 29.4% (Q3 FY16: 31.1%).

Cost of sales increased by £5.9m, or 7.5%, from £78.3m to £84.2m for the quarter ended 31 December 2016. The increase is principally due to the cost of sales associated with the revenue growth as well as the higher cost of goods purchased in foreign currency in Practice Services, increased locum usage within Patient Services and the impact of acquisitions. FY16 and FY17 practice acquisitions have increased Patient Services cost of sales by £1.6m.

The drop in Patient Services gross margin to 46.1% reflects higher levels of locum usage and subsequent cost compared to the previous year partially offset by the benefit of the 0.7% NHS contract uplift.

The drop in the gross margin % in Practice Services was due to the volatility in the value of the Pound against the Euro and US Dollar following the EU referendum. This has been mitigated through supply chain efficiencies and price increases to customers, however further volatility could have an impact on the cost of sales of our Practice Services division because c.40% of the division's purchases are made on a wholesale basis mainly in Euros or to a lesser extent in US Dollars.

Overheads

Overheads, including administrative expenses, distribution costs, amortisation of intangible assets, depreciation, grant income and other non-underlying items were £78.8m for Q3 FY17, an increase of £15.8m from £63.0m in the three months to 31 December 2015.

Overheads excluding amortisation of intangible assets, depreciation, grant income and other non-underlying items were £48.9m, an increase of £4.3m from £44.6m in Q3 FY16.

The increase in overheads reflects the impact of acquisitions, including PDS and Dolby, along with the dental practices acquired in the year ended 31 March 2016 and the nine months ended 31 December 2016. In addition, dental practice staff costs have increased both through headcount and living wage increases and the Practice Services division has increased headcount at the support centre to support sales growth.

The group's largest overhead is the cost of staff working in dental practices, in operational management and at the divisional support centres. In the quarter ended 31 December 2016, staff costs were £32.5m, an increase of £3.3m from £29.2m in Q3 FY16.

Rent expense for the quarter was £3.8m, 2.5% of revenue and an increase of £0.4m from £3.4m in Q3 FY16. The increase was principally due to the growth in the number of practices.

Dental equipment and practice property maintenance costs for Q3 FY17 were £2.6m, £0.4m lower than Q3 FY16.

Other operating income

Other operating income for the three months ended 31 December 2016 was £0.5m. Other operating income includes contractual support received from Scottish Health Boards to assist in the upkeep of our Scottish dental practices (based on the proportion of NHS treatment carried out by each practice) and property rental income.

Other gains/(losses)

Other gains/(losses) include net realised and unrealised foreign exchange gains and losses arising in the group's Practice Services division, principally in relation to foreign exchange forward contracts which are used to hedge the cash impact of a proportion of the cost of goods purchased in Euros and US Dollars.

EBITDA before non-underlying items

Earnings before interest tax, depreciation, amortisation and non-underlying items for the three months ended 31 December 2016 was £16.8m.

Non-underlying items

Non-underlying items include impairment charges of £14.4m and £2.6m recorded against the carrying value of goodwill and intangible assets respectively within the Patient Services division. The impairment reflects the effects of current UDA delivery performance and a number of small permanent contract hand-backs agreed with NHS Regions during the quarter. The permanent contract cuts have affected a limited number of practices where delivery rates have been consistently difficult to maintain due to either dentist or patient shortages. See also note 3(a) to the Condensed Consolidated Financial Statements.

Non-underlying items also includes a £1.8m gain arising from the release of contingent consideration relating to one acquisition completed in FY13 that has not become payable due to certain performance conditions not being achieved.

Year to date performance

In the nine months to 31 December 2016 turnover increased by 3.7% from £419.2m to £434.9m. This increase was driven by the dental practice acquisition programme, with practices acquired during FY16 and FY17 adding £12.1m of revenue to the group results for the year to date, along with revenue growth of £8.2m within Practice Services.

Revenue generated from practices owned at 1 April 2015 has decreased by £4.6m due to a £8.8m reduction in NHS revenue offset by a £4.2m increase in private turnover.

Group revenue	YTD 2017	YTD 2016	Movement
	£'000	£'000	£'000
Practices owned as at 1 April 2015	340,104	344,691	(4,587)
Practices acquired or opened:			
During the 12 months ended 31 March 2016	16,504	5,929	10,575
During the 9 months ended 31 December 2016	1,541	-	1,541
Dental practice revenue	358,149	350,620	7,529
Practice services and other revenue	76,738	68,559	8,179
Group revenue	434,887	419,179	15,708

EBITDA before exceptional items for the year to date was £51.7m.

Estimated pro-forma adjusted LTM EBITDA

	£'000
LTM EBITDA before exceptional items at 31 December 2016	72,528
Estimated adjusted EBITDA of acquired dental practices at 31 December 2016	1,489
Estimated adjusted EBITDA of PDS Dental Laboratory Leeds and Dolby Medical	480
Reversal of one off VAT grouping adjustment	607
Pro-forma EBITDA	75,104
Cost savings initiatives	350
Estimated pro-forma adjusted EBITDA	75,454

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

The estimated adjusted EBITDA for acquired businesses are management estimates for the annual EBITDA of an acquired business less the actual results consolidated in LTM EBITDA from the date of acquisition.

Finance costs

Finance costs of £11.1m in Q3 FY17 include £9.8m in respect of the £275.0m Senior Secured Fixed Rate Notes, £150.0m Senior Secured Floating Rate Notes and £130.0m Second Lien Notes. A further £1.2m relates to the amortisation of debt arrangement fees, interest rate swap charges and non-utilisation fees payable in respect of the undrawn Super Senior Revolving Credit Facility. The remaining £0.1m arises from the unwinding of discount in respect of contingent consideration and certain provisions which are expected to be settled in future periods.

Finance income of £0.5m principally arises from the unrealised mark-to-market movement in the value of the group’s interest rate swap contracts.

Debt and liquidity

At 31 December 2016, net debt was £529.7m, compared to £520.8m at 30 September 2016. This movement principally reflects early contract repayments to the NHS.

Net cash flow for the quarter was an outflow of £8.2m. This arises from cash generated from operating activities of £7.7m, offset by expenditure of £3.5m on acquisitions, capital expenditure of £3.8m, including the refurbishment of acquisition sites and the acquisition of two freehold properties, £6.8m for the servicing of finance and £1.7m of fees related to the re-financing.

Working capital movements

Cash generated from operations decreased from £17.0m in Q3 FY16 to £7.7m principally due to repayments made to the NHS in respect of un-delivered UDA's from FY16 in addition to repayments resulting from a number of small FY17 contract hand-backs agreed with NHS Regions.

Capital expenditure

Capital expenditure for Q3 FY17 was £3.8m. This included acquisition refurbishments of £0.3m, "maintenance" capital expenditure of £3.2m and the purchase of two freehold properties for £0.3m.

Cash conversion

Cash conversion is measured as the ratio of EBITDA to cash generated from operations less maintenance capital expenditure and for the quarter was 36.1% compared to 73.3% in the corresponding quarter in FY16.

Cash conversion excluding working capital movements was 80.9% (Q3 FY16: 73.3%).

Acquisitions

Acquisitions capital expenditure in the quarter was £3.5m and included the acquisition of two dental practices, partially offset by £1.0m of contingent consideration returned to the group from an escrow account. This related to one acquisition completed in FY13 where contingent consideration has not become payable due to certain performance conditions not being achieved. Expenditure also includes smaller amounts of contingent consideration paid in respect of prior year acquisitions.

Risk factors

The latest opportunity and risk position of the group is detailed in the Annual Report to bondholders for Turnstone Midco 2 for the year ended 31 March 2016, as updated by the press release dated 20 July 2016 regarding certain information disclosed to prospective holders of the new Notes. The risk factors and strategies are also set out in the IDH Finance plc Offering Memorandum dated 22 July 2016.

Turnstone Midco 2 Limited

Condensed interim consolidated financial statements – Unaudited

Quarter ended 31 December 2016

Consolidated income statement (unaudited)

For the quarter ended 31 December 2016

	Note	Q3 2017 £'000	Q3 2016 £'000
Revenue	*4*	149,417	144,413
Cost of sales		(84,190)	(78,307)
Gross profit	*4*	65,227	66,106
Distribution costs		(4,240)	(3,691)
Administrative expenses		(74,604)	(59,285)
Other operating income		532	481
Other losses		(278)	(317)
Operating (loss)/profit	*4*	(13,363)	3,294

EBITDA before non-underlying items	*4*	16,822	21,984
Amortisation of intangible assets		(8,227)	(8,004)
Depreciation		(5,230)	(4,750)
Amortisation of government grant income		14	31
Other non-underlying items		(16,464)	(5,650)
Foreign exchange gains		(278)	(317)
Operating (loss)/profit	*4*	(13,363)	3,294

Finance costs		(11,133)	(9,686)
Finance income		516	476
Net finance costs		(10,617)	(9,210)
Loss before income tax	*4*	(23,980)	(5,916)
Income tax credit	*5*	2,024	5,912
Loss for the period		(21,956)	(4)
Attributable to:			
Owners of the parent		(21,973)	(39)
Non-controlling interests		17	35
		(21,956)	(4)

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

Consolidated income statement (unaudited)

For the nine months ended 31 December 2016

	Note	YTD 2017 £'000	YTD 2016 £'000
Revenue	*4*	434,887	419,179
Cost of sales		(239,940)	(227,471)
Gross profit	*4*	194,947	191,708
Distribution costs		(12,688)	(10,959)
Administrative expenses		(192,484)	(176,540)
Other operating income		1,555	1,419
Other gains/(losses)		231	(79)
Operating (loss)/profit	*4*	(8,439)	5,549
EBITDA before non-underlying items	*4*	51,734	59,360
Amortisation of intangible assets		(24,557)	(23,600)
Depreciation		(15,445)	(13,896)
Amortisation of government grant income		47	123
Other non-underlying items		(20,449)	(16,359)
Foreign exchange gains		231	(79)
Operating (loss)/profit	*4*	(8,439)	5,549
Finance costs		(44,957)	(28,987)
Finance income		1,091	1,097
Net finance costs		(43,866)	(27,890)
Loss before income tax	*4*	(52,305)	(22,341)
Income tax credit	*5*	7,927	9,031
Loss for the period		(44,378)	(13,310)
Attributable to:			
Owners of the parent		(44,380)	(13,299)
Non-controlling interests		2	(11)
		(44,378)	(13,310)

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

Consolidated balance sheet (unaudited)

At 31 December 2016

	Note	Q3 2017 £'000	Q3 2016 £'000
Non-current assets			
Goodwill	8	330,915	337,037
Other intangible assets	8	432,423	455,167
Property, plant and equipment		99,745	96,409
Other receivables		-	958
Deferred tax income tax assets		11,636	10,322
		874,719	899,893
Current assets			
Inventories		22,909	22,593
Trade and other receivables		45,491	47,842
Current income tax		-	-
Derivative financial instruments		41	240
Cash and cash equivalents		9,863	18,545
		78,304	89,220
Assets classified as held for sale		812	1,143
Total assets		953,835	990,256
Equity attributable to the owners of the parent			
Share capital		410,961	410,961
Accumulated losses		(179,284)	(130,240)
		231,677	280,721
Non-controlling interest		91	(130)
Total equity		231,768	280,591
Non-current liabilities			
Borrowings	7	539,552	531,235
Other payables	6	1,306	3,555
Deferred income tax liabilities		46,005	49,215
Post employment benefits		-	414
Provisions		6,879	7,813
Derivative financial instruments		-	2,060
Total non-current liabilities		593,742	594,292
Current liabilities			
Trade and other payables	6	125,251	113,409
Current income tax		280	229
Provisions		1,582	1,735
Derivative financial instruments		1,212	-
Total current liabilities		128,325	115,373
Total liabilities		722,067	709,665
Total equity and liabilities		953,835	990,256

Consolidated statement of changes in equity (unaudited)

For the quarter ended 31 December 2016

Q3 2017

	Share capital	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of the period	410,961	(157,311)	253,650	74	253,724
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(21,973)	(21,973)	17	(21,956)
Balance at end of the period	410,961	(179,284)	231,677	91	231,768

Q3 2016

	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	(130,201)	280,760	(165)	280,595
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(39)	(39)	35	(4)
Balance at end of the period	410,961	(130,240)	280,721	(130)	280,591

Consolidated statement of changes in equity (unaudited)

For the nine months ended 31 December 2016

YTD 2017

	Share capital	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at beginning of the period	410,961	(134,904)	276,057	89	276,146
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(44,380)	(44,380)	2	(44,378)
Balance at end of the period	410,961	(179,284)	231,677	91	231,768

YTD 2016

	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	(116,941)	294,020	(119)	293,901
Comprehensive expense for the period					
Total comprehensive expense for the period	-	(13,299)	(13,299)	(11)	(13,310)
Balance at end of the period	410,961	(130,240)	280,721	(130)	280,591

Consolidated cash flow statement (unaudited)

For the quarter ended 31 December 2016

	Q3 2017 £'000	Q3 2016 £'000
Cash flows from operating activities		
Loss before taxation	(23,980)	(5,916)
Depreciation of property, plant and equipment	5,230	4,750
Amortisation of government grants	(14)	(31)
Amortisation of intangible assets	8,227	8,004
Finance costs	11,133	9,686
Finance income	(516)	(476)
Loss on business and asset disposals	-	1,560
Impairment of intangible assets	17,000	-
Differences between contingent consideration paid and initial estimates	(1,832)	-
Net unrealised foreign exchange losses	760	317
Cash generated from operations before movements in working capital	16,008	17,894
Changes in working capital		
Movement in inventories	(1,485)	(1,266)
Movement in trade and other receivables	779	1,957
Movement in trade and other payables	(7,299)	(1,200)
Movement in provisions	(344)	(351)
Cash generated from operations	7,659	17,034
Taxation	-	-
Net cash inflow from operating activities	7,659	17,034
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(3,523)	(5,847)
Purchase of property, plant and equipment	(3,478)	(6,699)
Purchase of freehold property held for sale	(322)	-
Proceeds from business and asset disposals	-	312
Government grants received	2	4
Interest received	2	16
Net cash outflow from investing activities	(7,319)	(12,214)
Cash flows from financing activities		
Arrangement fees and associated professional costs	(1,735)	-
Bank and bond interest paid	(6,758)	(4,252)
Net cash outflow from financing activities	(8,493)	(4,252)
Net (decrease)/increase in cash and cash equivalents	(8,153)	568
Cash and cash equivalents at the beginning of the period	18,016	17,977
Cash and cash equivalents at the end of the period	9,863	18,545

Consolidated cash flow statement (unaudited)

For the nine months ended 31 December 2016

	YTD 2017 £'000	YTD 2016 £'000
Cash flows from operating activities		
Loss before taxation	(52,305)	(22,341)
Depreciation of property, plant and equipment	15,445	13,896
Amortisation of government grants	(47)	(123)
Amortisation of intangible assets	24,557	23,600
Finance costs	44,957	28,987
Finance income	(1,091)	(1,097)
Loss on business and asset disposals	2	1,785
Impairment of intangible assets	17,000	-
Differences between contingent consideration paid and initial estimates	(1,986)	(154)
Net unrealised foreign exchange losses	866	79
Cash generated from operations before movements in working capital	47,398	44,632
Changes in working capital		
Movement in inventories	(2,473)	(259)
Movement in trade and other receivables	1,727	(3,610)
Movement in trade and other payables	5,160	16,526
Movement in provisions	(1,054)	(1,039)
Cash generated from operations	50,758	56,250
Taxation	-	550
Net cash inflow from operating activities	50,758	56,800
Cash flows from investing activities		
Acquisitions (net of cash acquired)	(9,749)	(36,161)
Purchase of property, plant and equipment	(15,630)	(19,768)
Purchase of freehold property held for sale	(547)	-
Proceeds from business and asset disposals	(1)	2,057
Government grants received	2	-
Interest received	10	54
Net cash outflow from investing activities	(25,915)	(53,818)
Cash flows from financing activities		
Drawdown of bank loans	-	8,500
Repayment of bank loans	(39,000)	-
Proceeds from issue of notes	49,700	-
Arrangement fees and associated professional costs	(17,343)	-
Bank and bond interest paid	(23,279)	(22,053)
Proceeds from equity share issue	-	-
Net cash outflow from financing activities	(29,922)	(13,553)
Net decrease in cash and cash equivalents	(5,079)	(10,571)
Cash and cash equivalents at the beginning of the period	14,942	29,116
Cash and cash equivalents at the end of the period	9,863	18,545

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

For the quarter ended 31 December 2016

	Q3 2017	Q3 2016
	£'000	£'000
(Decrease)/increase in cash for the period	(8,153)	568
Drawdown of bank loans	-	-
Debt issue costs	1,735	-
Total cash movement in net debt	(6,418)	568
Other non-cash movements in net debt	(1,900)	-
Amortisation of loan arrangement fees	(600)	(632)
Total non-cash movement in net debt	(2,500)	(632)
Total movement in net debt	(8,918)	(64)
Net debt brought forward	(520,771)	(512,626)
Net debt carried forward	(529,689)	(512,690)

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

For the nine months ended 31 December 2016

	YTD 2017	YTD 2016
	£'000	£'000
Decrease in cash for the period	(5,079)	(10,571)
Drawdown of bank loans	-	(8,500)
Repayment of bank loans	39,000	-
Issue of high yield bonds	(549,700)	-
Redemption of high yield bonds	500,000	-
Debt issue costs	11,155	-
Total cash movement in net debt	(4,624)	(19,071)
Other non-cash movements in net debt	(6,292)	-
Amortisation of loan arrangement fees	(1,847)	(1,895)
Total non-cash movement in net debt	(8,139)	(1,895)
Total movement in net debt	(12,763)	(20,966)
Net debt brought forward	(516,926)	(491,724)
Net debt carried forward	(529,689)	(512,690)

Notes

Forming part of the financial statements

1 General information and basis of preparation

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

The condensed interim consolidated financial statements (the 'interim financial statements') of the company have been prepared for the quarter ended 31 December 2016. The results for the year to date represent the group's trading from 1 April 2016 to 31 December 2016. Comparative results are provided for the quarter ended 31 December 2015 and for the nine months ended 31 December 2015.

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 2016, 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 2016 annual report and consolidated financial statements for Turnstone Midco 2 Limited and Turnstone Equityco 1 Limited.

a) Basis of consolidation

Subsidiaries

The group controls an entity when the group has power over that entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group has applied IFRS 10 – Consolidated Financial Statements ('IFRS 10') retrospectively in accordance with the transitional provisions of IFRS 10.

Partnerships

Certain members of the group management team act as partners on behalf of group companies in a number of dental practice partnerships. These partnerships are held on trust on behalf of a number of group companies. All profits arising from partnership activity are transferred to a group trading company.

As a result, the group considers that it has control of these partnerships and consequently the results of the partnerships are consolidated into the group's financial statements. The partnerships are accounted for in accordance with the group's accounting policies.

Notes

Forming part of the financial statements

Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency translation

Foreign currency transactions are translated into the functional currency of each subsidiary or partnership using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, including realised gains and losses arising from foreign exchange forward contracts and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement within other gains or losses.

Unrealised gains and losses arising from derivative financial instruments used to hedge against movements in foreign exchange rates (principally foreign exchange forward contracts) are recognised in the income statement within other gains or losses.

c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The fair value of consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control over the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business Combinations (Revised) ('IFRS 3') are recognised at their fair values at the acquisition date. All acquisition costs are expensed as incurred and included within administrative expenses.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised at fair value through profit or loss.

d) Intangible assets

Goodwill

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

Goodwill is tested for impairment at least annually.

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

Externally acquired intangible assets

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

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

Notes

Forming part of the financial statements

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

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

Contractual arrangements reflect long term, fixed income contracts with the NHS for the delivery of dentistry services. These contracts specify targeted annual volumes of units of dental activity ('UDA's') for a contracted dental practice or entity. The majority of these contracts have no fixed term and will roll over indefinitely provided that certain performance targets are achieved. The intangible assets arising from these contractual arrangements are amortised over a period of 20 years to reflect the potential for future changes to government policy in this area.

e) Impairment of non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time in each period.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'or 'CGU'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU's. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised through the income statement. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Notes

Forming part of the financial statements

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Derivative financial instruments

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

The group uses derivative financial instruments (interest rate swaps) to hedge a proportion of its exposure to floating interest rate fluctuations. Foreign exchange forward contracts are used to hedge a proportion of the group's exposure to fluctuations in foreign exchange rates.

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

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

The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes.

g) Revenue

Revenue represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that the group has obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Revenue derived from NHS contracts in England and Wales is recognised on the volume of dental activity delivered in the financial year. Revenue from all private dental work and NHS patients in Scotland is recognised based upon the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment. Revenue from the sale of goods by the group's practice services division is recognised upon despatch.

Deferred income

Where the group receives an amount upfront in respect of future income streams, the value of the receipt is amortised over the period of the contract as the services are delivered and the unexpired element is disclosed in trade and other payables as deferred income.

h) Leases

The costs associated with operating leases are charged to the income statement on an accruals basis over the period of the lease. The benefit of any lease incentives is recognised in the income statement evenly over the period of the lease up to the lease expiry date.

Notes

Forming part of the financial statements

i) Income tax

Income tax for the accounting periods presented comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable or refundable on the taxable income or loss for the year, based upon the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for on deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes

Forming part of the financial statements

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.

(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. An impairment review was performed at 31 March 2016 and no impairment was identified.

In light of the recent UDA delivery performance, management have performed a further impairment review upon the carrying value of the goodwill and intangible assets within the Patient Services CGU at the end of Q3 FY17.

During Q3 FY17, management have negotiated a number of small permanent contract hand-backs with NHS Regions, which reduces the level of revenue the group can generate from these contracts in future years. As a result, management have reduced the carrying value of the intangible assets associated with these contracts to reflect this reduced earning potential. This has given rise to an impairment charge of £2.6m which has been recognised in the income statement, within non-underlying items.

Furthermore, based upon management's current forecast UDA delivery percentage for the year ended 31 March 2017, and management's current five year plan which shows the UDA delivery percentage recovering over the medium term to the group's long term average of approximately 96%, the value in use calculated for the Patient Services CGU at 31 December 2016 was £14.4m lower than its carrying value. As a result, management have recorded an impairment charge to the goodwill allocated to the Patient Services CGU of £14.4m, which has also been recognised as a non-underlying item within the income statement.

Management have estimated the value in use of the Patient Services CGU using a Weighted Average Cost of Capital ('WACC') of 9.38%. It should be noted that a change of 0.25% in the assumed WACC changes the carrying value of the Patient Services CGU by approximately £24 million.

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. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined.

Notes

Forming part of the financial statements

3 Critical accounting judgements and estimates *(continued)*

(b) Critical estimates

Valuation of intangibles acquired in business combinations

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

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

Useful economic lives of intangible assets

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

4 Segment reporting

The Directors have determined the operating segments based on the operating reports reviewed by both the Board of Directors and the Executive Management Team that are used to facilitate both performance and strategic decision making. The Executive Management Team is considered to be the chief operating decision maker in accordance with the requirements of IFRS 8 – Operating Segments.

The Executive Management Team considers the business to be split into two main operating segments being patient services and practice services.

Through its patient services division, the group is the leading provider of dental services in the United Kingdom. The division owns and manages a national chain of dental practices with 677 sites at 31 December 2016 (31 December 2015: 669).

The group's practice services division, which principally comprises the dbg and The Dental Directory, provides a range of products and services to the dental and wider healthcare sectors, including to the group's patient services division. Sales to the patient services division are carried out on an arms-length basis.

All services are provided in the United Kingdom.

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

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

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

Q3 2016	Patient services £'000	Practice services £'000	Central costs and intra-segment eliminations £'000	Total £'000
Revenue				
NHS dentistry	99,257	-	-	99,257
Private dentistry	22,230	-	-	22,230
Practice services	-	28,779	(5,853)	22,926
Total revenue	121,487	28,779	(5,853)	144,413
Gross profit	58,084	8,954	(932)	66,106
Gross margin	*47.8%*	*31.1%*		*45.8%*
Overheads	(39,278)	(6,177)	852	(44,603)
Overheads % of revenue	*32.3%*	*21.5%*		*30.9%*
Other income	481	-	-	481
EBITDA before non-underlying items	19,287	2,777	(80)	21,984
EBITDA margin	*15.9%*	*9.6%*		*15.2%*
Amortisation of intangible assets	(7,234)	(770)	-	(8,004)
Depreciation	(4,431)	(354)	35	(4,750)
Amortisation of government grant income	31	-	-	31
Other non-underlying items	(3,922)	(1,728)	-	(5,650)
Foreign exchange losses	-	(317)	-	(317)
Segment operating profit/(loss)	3,731	(392)	(45)	3,294
Net finance costs				(9,210)
Loss before income tax				(5,916)
Segment assets	881,786	115,129	(6,659)	990,256
Segment liabilities	(152,163)	(112,934)	(444,568)	(709,665)
Additions in the period				
Goodwill	2,658	151	-	2,809
Other intangible assets	3,410	-	-	3,410
Property, plant and equipment	7,244	600	(79)	7,765

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

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

Notes

Forming part of the financial statements

4 Segment reporting *(continued)*

YTD 2016	Patient services	Practice services	Central costs and intra-segment eliminations	Total
	£'000	£'000	£'000	£'000
Revenue				
NHS dentistry	286,533	-	-	286,533
Private dentistry	64,087	-	-	64,087
Practice services	-	86,092	(17,533)	68,559
Total revenue	350,620	86,092	(17,533)	419,179
Gross profit	168,423	26,388	(3,103)	191,708
Gross margin	*48.0%*	*30.7%*		*45.7%*
Overheads	(117,727)	(18,590)	2,550	(133,767)
Overheads % of revenue	*33.6%*	*21.6%*		*31.9%*
Other income	1,419	-	-	1,419
EBITDA before non-underlying items	52,115	7,798	(553)	59,360
EBITDA margin	*14.9%*	*9.1%*		*14.2%*
Amortisation of intangible assets	(21,371)	(2,229)	-	(23,600)
Depreciation	(12,995)	(997)	96	(13,896)
Amortisation of government grant income	123	-	-	123
Other non-underlying items	(13,805)	(2,554)	-	(16,359)
Foreign exchange gains	-	(79)	-	(79)
Segment operating profit/(loss)	4,067	1,939	(457)	5,549
Net finance costs				(27,890)
Loss before income tax				(22,341)
Segment assets	881,786	115,129	(6,659)	990,256
Segment liabilities	(152,163)	(112,934)	(444,568)	(709,665)
Additions in the period				
Goodwill	14,313	211	-	14,524
Other intangible assets	23,427	2,187	-	25,614
Property, plant and equipment	21,996	1,151	(484)	22,663

Notes

Forming part of the financial statements

5 Taxation

	Q3 2017 £'000	Q3 2016 £'000
Current income tax		
Current income tax for the period	85	(6)
Total current income tax	85	(6)
Deferred income tax		
Origin and reversal of temporary differences	(2,109)	(1,482)
Impact of change in tax rate	-	(4,424)
Total deferred income tax	(2,109)	(5,906)
Total income tax credit	(2,024)	(5,912)

	YTD 2017 £'000	YTD 2016 £'000
Current income tax		
Current income tax for the period	85	(6)
Total current income tax	85	(6)
Deferred income tax		
Origin and reversal of temporary differences	(5,727)	(4,601)
Impact of change in tax rate	(2,285)	(4,424)
Total deferred income tax	(8,012)	(9,025)
Total income tax credit	(7,927)	(9,031)

The main rate of corporation tax was reduced from 21% to 20% from 1 April 2015. Further reductions to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted on 18 November 2015 and 15 September 2016 respectively, and both the deferred income tax asset and liability have been re-measured accordingly.

Notes

Forming part of the financial statements

6 Trade and other payables

	Q3 2017	Q3 2016
	£'000	£'000
Current		
Trade payables	20,171	19,364
Accruals and deferred income	97,062	84,135
Other taxation and social security	4,049	2,744
Contingent consideration	3,914	7,088
Government grants	55	78
	125,251	113,409
Non-current		
Contingent consideration	1,087	3,296
Government grants	219	259
	1,306	3,555

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

Notes

Forming part of the financial statements

7 Borrowings

	Q3 2017 £'000	Q3 2016 £'000
Non-current		
Senior secured, floating rate and second lien notes		
Due between two and five years	-	500,810
Due after five years	550,023	-
	550,023	500,810
Bank loans		
Due between two and five years	-	39,000
Less: unamortised arrangement fees and related costs	(10,471)	(8,575)
Total non-current loans and borrowings	539,552	531,235

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%. At the quarter end the SSRCF was undrawn.

As part of an interest rate management strategy, the group entered into two interest rate contracts to swap LIBOR for a fixed rate, both of which expire on 1 June 2017. The mark-to-market value of these contracts at the balance sheet date is included as a current liability in the consolidated balance sheet under the heading 'Derivative financial instruments'.

Notes

Forming part of the financial statements

8 Business combinations

Set out below are details of the acquisitions completed during the quarter ended 31 December 2016 and the nine months ended 31 December 2016. Acquisitions during the quarter ended 31 December 2016 comprised of one incorporated and one unincorporated dental practice acquired by the group's patient services division (nine months ended 31 December 2016: three incorporated and three unincorporated dental practices). The directors consider each of these acquisitions to be individually immaterial to the group, having considered a number of qualitative and quantitative factors. Therefore, these acquisitions have been aggregated for disclosure purposes.

	Q3 2017 Total £'000
Consideration	
Cash	5,489
Contingent consideration	1,000
Total consideration	6,489
Fair value of assets and liabilities acquired	
Intangible assets	2,993
Property, plant and equipment	44
Inventories	1
Trade and other payables	(380)
Deferred taxation	(509)
Provisions	(10)
Total identifiable net assets	2,139
Goodwill	4,350
Total	6,489

Notes

Forming part of the financial statements

8 Business combinations *(continued)*

	YTD 2017 Total £'000
Consideration	
Cash	10,448
Contingent consideration	1,000
Total consideration	11,448
Fair value of assets and liabilities acquired	
Intangible assets	6,233
Property, plant and equipment	44
Inventories	1
Trade and other payables	(380)
Deferred taxation	(1,060)
Provisions	(30)
Total identifiable net assets	4,808
Goodwill	6,640
Total	11,448