Menthe Investments S.à r.l.

Consolidated annual report and financial statements for the year ended 30 September 2021 and report of the réviseur d'entreprises agréé

Registered number B225818

Menthe Investments S.à r.l.

Consolidated report and financial statements
For the year ended 30 September 2021

Contents

Menthe Investments S.à r.l.

Strategic Report
For the year ended 30 September 2021

The Managers present their Strategic Report for Menthe Investments S.à r.l. and its subsidiaries (the "Group") for the year ended 30 September 2021 (FY21).

Principal activity
The principal activity of the Group is the provision of dental facilities and the management of dental practices operating under the Portman brand.

Business review
During FY21 the Group continued to focus on providing superb dental care to its patients whilst growing both organically and inorganically.

21 practices were acquired during the year, located in Cheltenham, Dublin, Durham, Exeter, Fleet, Garstang, Glasgow, Hartlepool, Hythe, Kilsyth, London, Maidstone, Newcastle (3), Nottingham, Petworth, Plymouth, Poole, St. Ives and Warrington. The acquisitions took the total number of practices to 165 (2020: 144). There were also three mergers during the year, all located in London.

The pipeline for new acquisitions continues to grow, with the Portman brand name continuing to generate value and recognition within the industry.

FY21 operating performance was strong with revenue, operating profit and EBITDA showing growth against the prior year and EBITDA ahead of budget.

Revenue growth has been generated from practices remaining fully open throughout FY21 and patient numbers growing significantly in the year; these are now above pre Covid-19 levels.

Managers' duties and Section 172 statement

The UK Companies Act 2006 requires UK companies to include Section 172 statement and there is no requirement in Luxembourg law, therefore the statement is voluntarily disclosed below.

The likely consequences of any decision in the long-term
During the financial year 2021 the executive team have come up with a five-year strategic plan, the key aspects of which are:

- Continue to grow by acquisition
- Explore adjacent areas
- Digital transformation

Long-term value is generated through the process of acquiring and expanding high quality dental practices. Potential acquisitions are carefully selected by the Group's Managers and are assessed on a number of factors including; their potential for future growth, their fit with the Portman brand, and their operational and compliance standards.

Once new practices are fully integrated into Portman their performance is regularly reviewed by the operations team and if performance isn't in line with expectations, mitigating actions are taken.

The Group has assessed a comprehensive range of adjacent opportunities and are now looking to prioritise a selection of these in order to develop the concepts further with the objective of transforming the clinical and patient experience in dentistry.

The Group has initiated a long-term project to improve back-office systems, processes and ways of working in order to increase efficiencies that will enable back-office functions to become more scalable as the business continues to expand. The initial work from the project has resulted in the completion of a discovery phase. The Board will now review the findings and develop an implementation plan.

Looking after the interests of the Group's employees
The Group's colleagues are the key to the success of the organisation. Their hard work, personal engagement and service orientation ensures the provision of excellent care for our patients and form the basis of all the business' achievements.

The pandemic in 2020 and 2021 made the working world uncertain. Helping colleagues make sense of this uncertainty has been at the centre of the Group's people related activities.

Managers' duties and Section 172 statement (continued)

Looking after the interests of the Group's employees (continued)

The Group has invested heavily in a first-class infrastructure for digital communication and collaboration to ensure all colleagues are able to navigate the demands of a new working environment. The Group continues to examine new ways of working as both a response to the pressures of the pandemic and the employment market demands for more flexibility and choice in working practice. At the central support office colleagues have the freedom of hybrid home and office working, facilitating and supporting an improved work-life balance.

Colleague engagement
The Group runs an annual engagement survey named 'Your Voice' which gives practices, clinical and support function colleagues, a forum to be able to provide feedback to the business.

The 'Your Voice' survey results indicated, through a pulse survey in June, an overall improvement in engagement of 4%. The Group has prioritised three specific areas in order to continue to develop its overall colleague engagement:

- Communication
- Reward
- Learning & Development

Communication
In practices it was identified that one of the key issues related to colleagues wanting clearer communication around the results from the surveys and these being shared openly. The Group has continued to work with colleagues to share results and put in place actions that further develop colleague engagement. These have included online weekly communication, monthly practice manager and nurse forums, more regular practice team meetings and one-to-one meetings with practice managers to share both practice and overall business performance.

Webinars hosted and presented by the Senior Leadership Team, often including Q & A sessions, give colleagues the opportunity to directly ask questions regarding Group direction and performance.

Reward
Following an initial review of the remuneration of dental nurses, a comprehensive deep dive into the topic was commissioned in July 2021 to build on those areas identified in FY20. The Group has used this review to establish a framework for nurse reward which acknowledges the significant movements in the National Minimum Wage and the National Living Wage and provides a pay structure that is competitive in the market and also provides scope and structure to more fully support the nurse career path development. The new pay structure and benefit modifications will be implemented in phases over the coming 18 months.

Learning and Development
The Group has continued to introduce quality training programs for all colleagues including apprentice schemes and trainee nurse programs. The Portman Academy for Nurses ensures trainee nurses, qualified nurses and nurses with aspiration to develop have clear access to all the continuous professional development opportunities available to them. As a result, the latest internal engagement showed a 6% improvement in our learning & development factor score.

The feedback from the 'Your Voice' engagement survey highlighted the need to further focus on the learning and development of our people. In response to this, the Group has developed and rolled out the following:

- An internal practice manager development programme focusing on behavioural, leadership and skills development, in addition to improving understanding of the organisation's, procedures, processes and regulatory requirements.
- An internal development programme for operations and integrations managers called 'Ignite', focusing on leadership, self-awareness, people management and collaborative working.
- A leadership 360-degree feedback programme.
- Over 20 'Sedation, implant and impression taking for nurses' courses across our practices.
- Clinical, operations and integrations team development workshops focusing on their collaboration and ways of working.

The Group continues to recruit and develop nurse apprentices and launched the first Portman apprenticeship programme in Northern Ireland in collaboration with South West College in Omagh.

Development plans underway for the new financial year include further development of the practice clinical lead concept, an internal support team development programme, improvements to the nurse academy development opportunities and a patient-focused, front of house, training concept for all our practice reception teams.

Managers' duties and Section 172 statement (continued)

Colleague Wellbeing
Following the global pandemic, and in line with the UK government's roadmap out of Covid-19, the Group developed a comprehensive reopening plan, including a new set of hybrid working principles, communications, workshops and a "Back Together" series of events in the central support office.

The Group has trained 20 operations managers to be mental health first aiders, and all practice managers have received advice to help them be more aware and focused not only on their own mental health and wellbeing but also how to have conversations to support colleagues in their practices.

Gender Pay
The Group believes in creating and retaining a diverse and gender balanced workforce which reflects the customers and communities we serve.

The Group make positive efforts to create balance amongst colleagues but recognise that changes will take time to be reflected in the gender pay reporting figures. This is a long-term challenge, considering the dental sector is 85% female.

The Group is actively addressing the gender pay gap by:

- Ensuring we have the relevant data to be able to effectively report all equality, diversity and inclusion (ED&I);
- Reviewing our adverts and campaigns and implementing changes to maximise ED&I effectiveness;
- Ensuring values are embedded within the recruitment process and hiring managers who have a natural respect for diversity;
- Ensuring that flexible working practices are not considered a barrier to functioning in senior roles;
- Enhancing our maternity and paternity offerings to support our working parents;
- Ensure internal and external benchmarking of salaries to ensure parity with hires with awareness of gender bias; and
- Continuing to invest in apprenticeship programmes as a method of attracting new talent from under-represented groups in dentistry.

The need to foster the Group's business relationships with customers, suppliers and others

Customers
The Group is focused on providing excellent care to patients. This principle is a key factor in all decisions that are made throughout the business. One measure of patient satisfaction is the net promoter score (NPS). This score is monitored weekly by the executive and senior leadership team.

Suppliers
The Group recognises that suppliers play an integral part in its ability to provide excellent service to patients. Clinical freedom dictates that products and services are sourced from a large number of suppliers and the business strives to ensure that all payment terms are met. Key management personnel invest time to engage with key suppliers to provide the business with assurance that there will be no disruption to the supply of critical goods or services to practices.

In 2021 the Group has established a larger in-house procurement function. This provides the resource to further develop and enhance all elements of the Group's business relationships with suppliers in order to support services to customers as the business grows and matures.

The Group operates a Supplier Code of Conduct (published on the Group's official website) and are in the process of introducing a system of paperless invoicing which will further enhance the Group's compliance with the UK Government's Supplier Prompt Payment Code.

Regulators
The Group's regulators expect the business to:

- have robust and effective processes and controls in place to mitigate risks to protect patients;
- provide a high-quality, clinically robust service;
- comply with all legal and regulatory requirements and standards; and
- ensure internal audits are completed in line with these standards.

Managers' duties and Section 172 statement (continued)

Regulators (continued)
The Group has an open and honest relationship with all regulators relevant to its business and keeps up to date with any regulatory changes. Key management personnel, through its regulatory team, ensure assurance is provided in relation to regulatory and other requirements and action is quickly taken to address any issues or concerns identified or raised by internal audits or regulatory inspections.

The impact of the Group's operations on the community and environment
The business regularly encourages its practices to take an active role in their communities.

The Group recognises the need to act responsibly towards the environment and to mitigate its impact on climate change. The executive team assess these factors as part of each new project or initiative undertaken.

The Group has started to bring together a group of practices in order to understand how the business can develop ways of working to better protect our environment. This group will focus initially on how to encourage patients to recycle used toothbrushes and interdentals, which are predominately plastic. The group will also aim to reduce plastic used in surgeries and implement energy saving equipment such as LED lights. This group will then take their learnings and plan how to introduce these changes across the wider Portman portfolio.

Maintaining a reputation for high standards of business conduct
The Group has established and maintained a strong reputation within the industry by promoting a fair and honest ethos. This has enabled the business to attract high quality practices into the Group and management believes that this will continue to be the case.

The Group has recognised the increase in patient demand due to the delay in treatments and check-ups that occurred throughout the Covid-19 pandemic and has endeavoured to increase clinician hours in order to deal with the patient backlog.

Acting fairly for all shareholders
The Group is 100% owned by Menthe Midco S.à r.l.

Financial performance
The Group turnover for the year was £201.1m (2020: £127.0m).

This has been achieved through a combination of the following:
- 21 acquisitions during the year;
- 2020 acquisitions trading for a full 12 months during 2021;
- Growth within the existing portfolio of practices;
- Recovery in 2021 from reduced revenue in 2020 due to Covid-19.

The Group gross profit for the year was £92.9m (2020: £60.1m), resulting in a gross margin percentage of 46.2% (2020: 47.3%). The FY20 gross profit margin reflected the beneficial impacts arising from ongoing NHS support and reduced materials and laboratory costs during the period where practices were closed due to Covid-19. These costs have increased to be more in line with pre-Covid-19 levels, hence the FY21 gross profit margin is more reflective of those seen in prior years (FY19 46.6%).

Administrative expenses were £92.8m (2020: £73.9m). As a percentage of revenue this has decreased from 58.1% for the year to 30 September 2020 to 46.1% for the year ended 30 September 2021, with the reduction reflecting increased efficiencies from scale and the fact that 2020 was impacted by the part of the year where practices were closed, losing private fee per item revenue, but incurring fixed costs.

This has resulted in an operating profit of £3.5m (2020: operating loss £8.6m).

The Managers consider that Adjusted EBITDA (as defined in note 29 of the Group financial statements) represents a key measure of the business performance as it demonstrates the underlying trading by excluding the effects of non-recurring items and other non-GAAP measures.

Due to certain limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available for the Group to invest in future growth. Adjusted EBITDA is in addition to, and not to be used instead of, measures of financial performance prepared in accordance with IFRS.

The Group also notes that these alternative performance measures (APMs) may differ from the APMs used by other companies and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS.

Financial performance (continued)

The results for the year and the prior period are set out below:

	2021 £'000	2020 £'000
Revenue	201,086	127,035
Cost of sales*	(108,223)	(66,971)
Gross profit	92,863	60,064
Other operating income	3,374	5,952
Administrative expenses	(92,760)	(73,867)
Impairment of intangible assets	-	(752)
Operating profit/(loss)	3,477	(8,603)
Net finance costs	(31,970)	(27,334)
Tax (charged)/credited	(5,782)	1,852
Loss for the period	**(34,275)**	**(34,085)**
Adjustments	59,995	45,665
Adjusted EBITDA**	**25,720**	**11,580**

* Cost of sales exclude depreciation, amortisation and charges or credits relating to non-recurring items including restructuring and integration costs such as redundancy costs as well as costs of acquisition. This is consistent with the prior period.

** As defined in note 29 of the Group financial statements, Adjusted EBITDA comprises earnings before interest, tax, depreciation and amortisation and is stated after any charges or credits relating to non-recurring items including restructuring and integration costs, such as redundancy costs, as well as costs of acquisition. This classification is consistent with the prior period.

Going concern
The Group meets its day-to-day working capital requirements through cash held at bank and the use of its revolving credit facility. The current economic conditions create uncertainty, particularly over consumer spending, however the Group's trading throughout the Covid-19 period has shown resilience to such an impact.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is cash-generative and will operate within the level of its current cash resources and lending facilities. The Group has met all debt provider covenant tests up to the date of signing these financial statements and are confident this position will remain for the foreseeable future.

The Group has recorded a loss before tax for the year and currently has negative shareholders' equity of £28.2m (2020: negative £5.7m). The Managers have considered a number of key factors in developing a complete understanding of the Group's financial position to allow them to satisfy themselves that the organisation is in a strong financial position for the foreseeable future.

The Group has reported an operating profit of £3.5m in FY21. The budgets set for FY21 have been exceeded for revenue, EBITDA and EBITDA margins. Portman has continued to demonstrate that even during FY20 which was significantly impacted by Covid-19 it was able to maintain a growth in revenue, and in FY21 revenue grew by 58%.

Management have produced forecasts for different scenarios, such as, base case, base case 'acquisitions off', 'reasonable downturn' and reverse stress test, following the principles of how the business is now operating. Management performed a reverse stress test in November 2021 which demonstrated revenue would need to fall by greater than 20% to lead to a breach of the covenant test and result in a negative cash balance. Management is comfortable that these forecasts demonstrate that the business has adequate resources to continue in operational existence for a period of not less than twelve months after the approval of these financial statements.

Management's forecast has been shown to be appropriate as practices have remained open during subsequent lockdown periods, under the provision of the new standard operating procedures ('SOPs'). Portman led the way in the dental sector creating an updated set of SOPs and these have now been followed in the business for ~18 months. Management is satisfied with how business trading has resumed under these new procedures.

Going concern (continued)

During FY21 a further £25m of equity funding from the Group's parent company was received, as well as a further extension of the Group's existing credit facility by £50m. At 30 September 2021, £25m of the additional facility had been drawn and the RCF facility of £10m had been fully repaid. The additional funds received in equity and external borrowing were used to fund the FY21 acquisition programme and at the year end the business' cash position was £31m.

In December 2021, the Group signed a new enhanced senior facility arrangement to June 2028, in order to facilitate future growth of the Group. The new facility has been signed with Ares who have replaced the previous lender. An additional £15m of shareholding funding has been invested into the Group as part of this arrangement.

Management do not consider there to be any material uncertainties that could arise that would impact going concern. In making this assessment management have made the assumption that future lockdowns in relation to Covid-19 or other pandemics would not result in practice closures and, as has been the case in previous lockdowns, revenue will continue to be received from NHS and scheme income. The continued availability of borrowing facilities and equity funding support management's judgement that the Group is a going concern.

Principal risks and uncertainties
The principal risks faced by the business can be divided into operational, commercial and financial risks. The risks are monitored and managed at a Group level and by local management teams.

The Group continues to invest in a formal, regular risk assessment process to identify, monitor and mitigate as far as possible any risk that should arise. These are formally reviewed and assessed by the Board and actions taken as appropriate.

The Group is exposed to the general economy. Pressure on an individual's disposable income could negatively impact turnover.

Operational risk
The Board is ultimately responsible for the system of risk management and internal control. Additionally the business is subject to various clinical risks which are managed under the supervision of the UK Clinical Director. The business also maintains a regulatory function with day to day responsibility for maintaining business compliance and risk management processes.

The business manages all risks (operational and clinical) through a proportionate risk management process and clinical audit tools. These risks and audit findings are reported on and recorded by the business at various levels to ensure their effectiveness in line with the Group's strategy and risk appetite.

Commercial risk
The Managers have reviewed the possible implications of Brexit and Covid-19, as discussed in more detail below.

Financial risk

The Group is financed from shareholder capital, external loans, group loans and internally-generated cash. A severe downturn in trading could see covenants come under pressure. This is monitored to ensure the business is operating in line with expectation.

The business will continue to expand through organic growth, but overall growth will be underpinned by the success of its acquisition strategy. This acquisition strategy will be funded by self-generated cash flows and external debt funding.

The Group continues to develop a pipeline of high-quality dental practice acquisition targets. The Group's organisational structure is well developed with experienced central and operational management in place to enable it to purchase additional practices and carefully integrate them during 2021 and beyond.

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk
The Managers regularly review the cash position of the Group by analysing both long-term and short-term cash forecasts. With minimal credit risk (see below) and stable revenue streams, cash flows can be forecast with confidence, hence the Managers deem risk in this area to be minimal.

Principal risks and uncertainties (continued)

Credit risk
The Group has limited exposure with regard to credit risk. Internal payment policies mitigate any significant exposure to non-payment of dental treatment by individuals. Where large-value treatments are prescribed for an individual, advanced payments are requested to limit the Group's exposure. The nature of the Group's contracts with the NHS Regions means that credit risk is minimised for a significant proportion of the Group's revenue.

Liquidity risk
The Group actively manages its cash and debt finance to ensure that it has sufficient funds for both its current operations, and for any planned expansions upon which the Board agrees.

Brexit
On 31 January 2020, as a result of the UK Referendum, the UK left the European Union. Having now traded for 24 months, including a full financial year post-Brexit, it is not anticipated that any remaining uncertainty surrounding the future of the UK economy will have a material impact on the Group as the Group has minimal trade outside the UK.

The Managers conclude that there has been no significant material impact due to availability of materials from suppliers or availability of dentists or employees. Strategic stockholding has been put in place in practices for identified business-critical consumables to minimise any potential disruption in supplies of those items.

The Group has not experienced any change in employment rate post-Brexit. The Group does not expect any further direct challenges to the operating model as a consequence of Brexit.

Covid-19
The Group's practices have remained fully open throughout FY21. Patient numbers have not been impacted as a result of the pandemic; in fact, numbers have grown significantly in the year, and are now above pre Covid-19 levels.

There remains the risk that future UK lockdowns may result in the closure of practices, however the Group has taken all necessary measures to implement safe operating procedures and has complied fully with all guidance issued by the UK government in relation to Covid-19 protocols.

Key performance indicators
The key management personnel of Menthe Investments S.à r.l. monitors internal key performance indicators (KPIs) at a Group level on a weekly and monthly basis. The KPIs regularly monitored are revenue, gross margin and adjusted EBITDA. A qualitative review of these KPIs can be found in the financial performance section above.

The Managers expect the general level of activity from the existing sites to continue to perform at least in line with historical performance. The Group continues to invest in building its pipeline of further acquisitions. This is particularly strong and with the addition of further practices offsetting the central office costs, the business is projected to grow in the coming year.

Non-financial KPIs are described in the Management Report on pages 9 and 10.

Menthe Investments S.à r.l.

Strategic Report (continued)
For the year ended 30 September 2021

Future developments
The Managers expect the general level of activity to increase in the forthcoming year compared to FY21. This is as a result of a continued objective to acquire high quality dental practices and generate EBITDA by way of operating synergies and other improvements.

This report was approved by the Board and signed on its behalf by:

DocuSigned by:
Ruth Springham
061CB065DDEA497

R Springham
Manager
21, Rue Glesener
L-1631 Luxembourg
Luxembourg
Date: 28 January 2022

Menthe Investments S.à r.l.

Management Report
For the year ended 30 September 2021

The Managers present the Management Report and the audited financial statements of the Group for the year ended 30 September 2021. The Company registration number is B225818.

Results and dividends
The loss for the year after taxation amounted to £34.3m (2020: loss £34.1m). The Managers do not recommend the payment of a dividend (2020: £nil). No dividends have been paid since year-end. The Group has net liabilities of £28.1m (2020: £5.7m).

Political and charitable contributions
The Group's donations to charities amounted to £2,000 (2020: £2,000). No contributions were made to political organisations in either period.

Future developments
The Managers believe that the level of activity will remain at current levels of growth for the foreseeable future. The Managers continue to explore several opportunities to grow and expand the existing business.

Events after the balance sheet date
The following subsidiaries have been dissolved since year end; Broadbank Dental (Dental Practice) Limited, Station House Dental Practice Limited, Mark Pimble Ltd.

The following trade and assets, patient list and share capital purchases were made after the period-end:

- On 2 October 2021, Portman Healthcare (Ireland) Limited purchased the share capital of Dundrum Clinic in Dublin.
- On 10 November 2021, Portman Healthcare Limited purchased the share capital of PCORTHO Limited in Abingdon.
- On 30 November 2021, Portman Healthcare Limited purchased the share capital of Crosbie Bodley Limited in South Moulton, Devonshire.
- On 30 November 2021, Portman Healthcare Limited purchased the share capital of Whitehall Dental Care Limited in Drighlington, Yorkshire.
- On 1 December 2021, Portman Healthcare (Ireland) Limited purchased the trade and assets of Cork Dental Care in Ballintemple, Cork.
- On 16 December 2021, Portman Healthcare (Ireland) Limited purchased the share capital of Cork Aesthetic and Implant Centre Limited in Wilton, Cork.
- On 17 December 2021, Portman Healthcare Limited purchased the trade and assets of Exeter Orthodontic Practice in Exeter.
- On 20 January 2022, Portman Healthcare Limited purchased the trade and assets of West Parade Dental Care in Lincoln, Lincolnshire.

The share capital purchases acquired 100% of the voting rights.

In December 2021, the Group signed a new enhanced senior facility arrangement to June 2028, in order to facilitate future growth of the Group. The new facility has been signed with Ares who have replaced the previous lender. An additional £15m of shareholding funding has been invested into the Group as part of this arrangement.

Financial risk management
The Group's risk management process and the policies for mitigating certain types of risks are set out in the Strategic Report on page 7 and in note 24. Details of the financial instruments used for these purposes are set out in note 24.

Non-financial performance indicators

Employee involvement and engagement
The Group acknowledges the vital role that all employees play in its success through their skills, initiative and commitment and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal and formal meetings, presentations and announcement of financial results. The Group's policy is to ensure that, as far as is reasonably practical, working environments exist which will minimise risk to the health and safety of employees.

The Group monitors colleague engagement through regular surveys, discussing the feedback received with colleagues and acting on key issues. Examples of new initiatives implemented as a result of colleague feedback are a key management review of ways of working in the support functions, monthly awards to recognise outstanding colleague contributions and a 360-degree feedback programme for managers.

Engagement with customers and suppliers
Patients are the key to the success of the business. Regular customer feedback is gathered through net promoter scores and Google Stars; ratings on both these measures have been consistently high throughout the year.

The Group actively engages with large suppliers to ensure positive relationships. Regular meetings are held between the Group's procurement function and key supplier account managers.

Health and safety
The wellbeing of colleagues and patients is at the heart of the Group's activities. The Group's central office premises have been made Covid-secure, and industry-leading standard operating procedures have been implemented in all practices. The Group operates an Employee Assistance Programme which is available to all employees.

The Group has been compliant with the requirements from all public health bodies and maintained statutory registrations as required.

Climate change
The Group takes its environmental stewardship seriously, acknowledging its impact at its own sites and from colleague travel. Various initiatives are in place in the Group such as using refillable water bottles, recycling paper and other waste and minimising unnecessary travel.

Streamlined Energy and Carbon Reporting

a) UK energy use and associated greenhouse gas emissions
The Group is pleased to report its current UK based annual energy usage and associated annual greenhouse gas ("GHG") emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1 April 2019.

b) Organisational boundary
In accordance with the 2018 Regulations, the energy use and associated GHG emissions are for those within the UK only that come under the operational control boundary of the qualifying organisation, Portman Healthcare (Group) Limited, an intermediate parent of Portman Healthcare Limited.

c) Reporting period
The annual reporting period is 1 October to 30 September each year and the energy and carbon emissions are aligned to this period.

d) Quantification and reporting methodology
The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The 2021 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations as these relate to the majority of the reporting period. The report has been reviewed independently by Briar Consulting Engineers Limited.

Electricity and gas consumption were based on invoice records and benchmarks, while mileage was used to calculate energy and emissions from grey fleet. Gross calorific values were used except for mileage energy calculations as per Government GHG Conversion Factors.

The associated emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of company activities but occur from sources not owned or controlled by the organisation (scope 3).

Menthe Investments S.à r.l.

Management Report (continued)
For the year ended 30 September 2021

Non-financial performance indicators (continued)

Streamlined Energy and Carbon Reporting (continued)

e) Estimations
Estimates of energy consumption have been made in the cases where data has not been made available from suppliers or landlords. This utilised a benchmark technique using the CIBSE TM46 benchmark for Dental Clinics. In some cases, data has been pro-rated to match the reporting period. The values disclosed in the tables below are inclusive of Portman Healthcare Limited and its subsidiaries. The estate has grown in the year so all other points being equal an increase in energy consumption would be expected.

Breakdown of energy consumption used to calculate emissions (kWh):

Energy type	**2020/2021**	**2019/2020**
Electricity	3,720,511	3,601,882
Natural Gas	4,284,615	3,383,731
Transport fuel	143,026	154,668
Total gross energy consumed	**8,148,152**	**7,140,281**

Breakdown of emissions associated with the reported energy use (tCO_2e)

Emission source	**2020/2021**	**2019/2020**
Mandatory requirements:		
Scope 1		
Natural gas	784.8	622.2
Transport (Company owned vehicles)	-	-
Scope 2		
Purchased electricity (location-based)	772.2	839.7
Scope 3		
Transport (grey fleet vehicles)	35.2	38.3
Total gross mandatory emissions	**1,592.2**	**1,500.2**

f) Intensity Ratio
The intensity ratio used is total gross emissions in metric tonnes CO2e (mandatory emissions) per £million revenue. This metric is considered the most relevant to the Group's activities and provide a good comparison of performance over time and across different organisations and sectors.

	2020/2021	**2019/2020**
Tonnes of CO2e per £million revenue*	**8.01**	**11.81**

**revenue is the Portman Healthcare Group revenue of £201m (2020: £127m), as the energy consumption above includes the subsidiaries of Portman Healthcare Limited.*

g) Energy efficiency action during current financial year
The management of resources is an important issue for the Group. In the period 1 October 2020 to 30 September 2021, the Group has undertaken the following actions to improve energy efficiency:

- New energy-efficient gas-fired boilers have been installed across several sites, including Hailsham and Burton-Upon-Trent. This is estimated to reduce site specific natural gas emissions by 10% to 15%.
- The use of video-conferencing has increased in order to reduce unnecessary business travel. This is a practice that began because of the Covid-19 pandemic but is expected to continue into the future.

Social matters and human rights
As an employer, the Group seeks to create a socially diverse environment where individuals are able to thrive regardless of ethnicity, gender, age, disability or sexuality, and upholds a fairness policy addressing equal opportunities and diversity throughout the Group's operations.

The Group is fully committed to ensuring it does not participate in, or facilitate, the violation of human rights. Its Modern Slavery Act Statement addresses how the Group identifies, addresses and prevents modern slavery in its business and wider supply chain. This statement is available on www.portmandentalcare.com/legal and is reviewed annually.

The Group has also published Privacy and Data Protection policies, as well as an Information Security policy, detailing how it manages and stores individuals' information whether they are employed by, or providing information to, the Group.

The Group interacts with a large number of individuals during the ordinary course of its operations and, as such, has a safeguarding policy in place for dealing with children or vulnerable adults to ensure their safety while they are with us.

Anti-corruption and anti-bribery
All of the Group's employees are required to read the policy on anti-corruption and bribery. The implications of not following the policy are set out in the guide issued and available to all colleagues.

Complex supplier arrangements
The Group does not have any funding arrangements with suppliers beyond normal credit arrangements.

Disabled employees
Applications for employment from disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. As a people-focussed business, we make sure that we recruit the right person for the job every time, whatever their background.

In the event of an employee becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate adjustments are made. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Managers
The Managers who served throughout the year and subsequently, were as follows:

G Cleaver
A Jennings
R Springham

Qualifying third-party indemnity provisions
The UK Managers benefit from qualifying third-party indemnity provisions in place. The Group also provided qualifying third-party indemnity provisions to certain UK Directors of associated companies during the financial year.

The Group has given qualifying third-party indemnities to Dr Mark Hamburger and Dr Rebecca Sadler in relation to the NHS partnerships formed with vendors on completion of acquisitions which require an NHS partnership.

Matters covered in the Strategic Report
Details of the principal risks faced by the Group, including operational risk, financial risk, credit risk and liquidity risk are discussed in the Group Strategic Report.

Auditor

Each of the persons who are Managers at the time when this Management Report is approved has confirmed that:

- so far as each Manager is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each Manager has taken all the steps that ought to have been taken as a Manager in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Luxembourg legal and regulatory provisions.

Deloitte Audit S.à r.l. have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Other matters

In compliance with article 68 of the Luxembourg law of December 19, 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings, as amended from time to time, the Board further informs you that, with respect to the Financial Year under review:

i) the Group did not invest in any activity in the field of research and development;

ii) no branch has been set up by the Group either in Luxembourg or abroad;

iii) the Group did not purchase any of its own shares;

iv) other significant events that have occurred after the 2021 financial year end can be found in note 26 to the Financial Statements.

Approved by the Board and signed on its behalf by:

DocuSigned by:
Ruth Springham
061CB065DDEA497...

R Springham
Manager
21 Rue Glesener
L-1631 Luxembourg
Luxembourg
Date: 28 January 2022

Menthe Investments S.à r.l.

Managers' Responsibilities Statement
For the year ended 30 September 2021

The Managers are responsible for preparing the consolidated annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Managers to prepare financial statements for each financial year. Under that law the Managers have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Managers must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing the Group financial statements, International Accounting Standard 1 requires that Managers:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Managers are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Luxembourg legal and regulatory provisions. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managers are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Deloitte.

Deloitte Audit
Société à responsabilité lim
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

To the shareholders of
Menthe Investments S.à r.l
21, Rue Glesener
L – 1631, Luxembourg

REPO T OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statemen Menthe Investments S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at September 30, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year the ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial positi of the Group as at September 30, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and wit International Standards on Auditing (ISAs) as adopted for Luxembourg by the *"Commission de Surveillance du Secteur Financier"* (CSSF). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF the "Responsibilities of the *"réviseur d'entreprises agréé"* for the Audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other infor

The Board of Managers is responsible for the other information. The other information comprises the information stated in th consolidated management report but does not include the consolidated financial statements and our report of the *"réviseur d'entreprises agréé"* thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form o assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements o knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Société à responsabilité limitée au capital de 360.000 €
RCS Luxembourg B 67.89
Autorisation d'établissement 10022179

Deloitte.

Responsibilities of the Board of Managers and Those Charged with Governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due t fraud or erro

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability t continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud i higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we ar required to draw attention in our report of the *réviseur d'entreprises agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of th *réviseur d'entreprises agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*

Luc Brucher, *Réviseur d'entreprises agré*
Partner

January 28, 2022

Menthe Investments S.à r.l.

Group Statement of Profit and Loss
For the year ended 30 September 2021

	Note	2021 £'000	2020 £'000
Revenue	3	201,086	127,035
Cost of sales		(108,223)	(66,971)
Gross profit		92,863	60,064
Other operating income	4	3,374	5,952
Administrative expenses	5	(92,760)	(73,867)
Impairment of intangible assets		-	(752)
Operating profit/(loss)		3,477	(8,603)
Finance income	8	80	16
Finance expense	9	(32,050)	(27,350)
Net finance costs		(31,970)	(27,334)
Loss before taxation	5	(28,493)	(35,937)
Tax (charge)/credit	10	(5,782)	1,852
Loss for the period		**(34,275)**	**(34,085)**

The notes on pages 22 to 55 form part of these financial statements.

All results are derived from continuing operations.

Menthe Investments S.à r.l.

Group Statement of Comprehensive Income
For the year ended 30 September 2021

	Note	2021 £'000	2020 £'000
Loss for the period		(34,275)	(34,085)
Other comprehensive income/(expense) not reclassified subsequently to profit or loss			
Fair value gain/(loss) arising on hedging instruments during the period	24	3,680	(1,180)
Deferred tax on fair value (loss)/gain arising on hedging instruments during the period	22	(643)	293
Other comprehensive income/(expense) for the period, net of tax		**3,037**	**(887)**
Total comprehensive expense for the period		**(31,238)**	**(34,972)**

The notes on pages 22 to 55 form part of these financial statements.

All of the Group's activities are classified as continuing.

Menthe Investments S.à r.l.

Group Statement of Financial Position
As at 30 September 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Intangible assets	11	444,557	400,154
Property, plant and equipment	12	28,380	22,404
Trade and other receivables	16	1,324	384
Right of use assets	13	41,837	36,604
		516,098	459,546
Current assets			
Inventory	15	6,211	5,471
Trade and other receivables	16	16,749	15,071
Cash and cash equivalents		30,653	37,811
		53,613	58,353
Total assets		**569,711**	**517,899**
LIABILITIES			
Current liabilities			
Trade and other payables	17	41,558	32,389
Deferred contingent consideration	20	20,257	14,803
Provisions	21	1,726	1,279
Lease liability	13	3,126	2,698
Tax and social security liability		1,092	401
		67,759	51,570
Non-current liabilities			
Trade and other payables	17	148,080	123,947
Deferred tax liability	22	47,995	34,203
Loans and borrowings	18	271,718	255,594
Derivative liability	19	880	4,603
Deferred contingent consideration	20	19,817	17,693
Lease liability	13	41,653	35,992
		530,143	472,032
Total liabilities		**597,902**	**523,602**
Net liabilities		**(28,191)**	**(5,703)**
EQUITY			
Share capital	23	63,273	54,523
Hedging reserve		(691)	(3,728)
Retained deficit		(90,773)	(56,498)
		(28,191)	**(5,703)**

The notes on pages 22 to 55 form part of these financial statements.

Menthe Investments S.à r.l.

Group Statement of Changes in Equity
For the year ended 30 September 2021

	Note	Called -up share capital £'000	Hedging Reserve £'000	Retained Deficit £'000	Total £'000
At 1 October 2019		**54,523**	**(2,841)**	**(22,413)**	**29,269**
Loss for the period		-	-	(34,085)	(34,085)
Other comprehensive expense – cash flow hedge	24	-	(1,180)	-	(1,180)
Deferred tax on cash flow hedge	22	-	293	-	293
Total comprehensive expense for the period		-	(887)	(34,085)	(34,972)
At 30 September 2020	23	**54,523**	**(3,728)**	**(56,498)**	**(5,703)**
Capital contribution reserve		8,750	-	-	8,750
Loss for the period		-	-	(34,275)	(34,275)
Other comprehensive income – cash flow hedge	24	-	3,680	-	3,680
Deferred tax on cash flow hedge	22	-	(643)	-	(643)
Total comprehensive income/(expense) for the period		-	3,037	(34,275)	(31,238)
At 30 September 2021		**63,273**	**(691)**	**(90,773)**	**(28,191)**

The notes on pages 22 to 55 form part of these financial statements.

Menthe Investments S.à r.l.

Group Statement of Cash Flows
For the year ended 30 September 2021

	Note	2021 £'000	Restated* 2020 £'000
Cash flows from operating activities			
Operating profit/(loss) for the period		3,477	(8,603)
Adjustments for:			
Depreciation	12	8,273	6,827
Amortisation	11	12,519	10,218
Impairment	11	-	752
Write off of deferred contingent consideration	4,20	(1,468)	(815)
Loss on disposal of property, plant and equipment		124	-
Changes in:			
Inventory		(308)	(1,988)
Trade and other receivables		(1,908)	(354)
Trade and other payables		5,984	12,330
Provisions		616	268
Cash generated from operating activities		27,309	18,635
Income taxes credited/(paid)		400	(354)
Net cash from operating activities		**27,709**	**18,281**
Cash flows from investing activities			
Acquisition of subsidiaries		(26,781)	(27,632)
Acquisition of dental practices		(15,040)	(13,043)
Acquisition of property, plant and equipment		(7,963)	(4,440)
Net cash used in investing activities		**(49,784)**	**(45,115)**
Cash flows from financing activities			
Proceeds from borrowings - external		15,500	82,610
Proceeds from borrowings – parent and other group companies		16,250	-
Deferred contingent consideration payments	20	(4,699)	(4,379)
Interest paid		(17,989)	(14,958)
Proceeds from issue of share capital		8,750	-
Repayment of lease liabilities - principal		(2,768)	(2,135)
Repayment of lease liabilities - interest		(2,296)	(2,234)
Payment of debt issue costs		(1,260)	(2,643)
Net cash from financing activities		**11,488**	**56,261**
Net (decrease)/increase in cash and cash equivalents		**(10,587)**	**29,427**
Cash and cash equivalents at the start of the period		37,811	8,384
Cash acquired on acquisitions	25	3,429	-
Cash and cash equivalents at the end of the period		**30,653**	**37,811**

Cash and cash equivalents comprise:

	2021 £'000	2020 £'000
Cash at bank	**30,653**	**37,811**

*The cash flow statement has been restated as follows:

- Deferred contingent consideration payments have been reclassified under financing activities. Previously these were included in investing activities. The reason for the reclassification is for better presentation of the financial statements.

The notes on pages 22 to 55 form part of these financial statements.

1. Significant accounting policies

a) Reporting entity
Menthe Investments S.à r.l. was incorporated on 21 June 2018 and is organised under the laws of Luxembourg as a Société à Responsibilité Limitée for an unlimited period. The registered office of the Company is established at 21 Rue Glesener, L-1631 Luxembourg (former address was 5 Rue Guillaume Kroll, L-1882 Luxembourg). The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 1. These consolidated financial statements are for Menthe Investments S.à r.l. (the "Group") comprising the Company and its subsidiaries which are listed in full in note 14.

b) Statement of compliance
The financial statements of the Group has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

c) Functional and presentational currency
These financial statements are presented in Sterling (£) which is the Group's functional and presentational currency because that is the currency of the primary economic environment in which the Group operates. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d) Basis of preparation
The financial statements have been prepared on a historical cost basis except certain financial instruments where IFRS 9 requires a fair value (see note 24). The accounting policies set out below have been applied consistently to the Group to all periods presented in these financial statements.

e) Basis of consolidation
The Group financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

A subsidiary is an entity controlled, either directly or indirectly, by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvements with the investee and can affect those returns through its power over the investee.

The results of a subsidiary acquired during the year are included in the Group's results from the effective date on which control is transferred to the Group. All inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full.

f) New accounting standards
The following new standards, amendments to standards and interpretations issued by the International Accounting Standards Board ("IASB") became effective during the year ended 30 September 2021. The accounting policies adopted in the presentation of these financial statements reflect the adoption of the following new standards, amendments to standards and interpretations:

- Definition of a business – amendments to IFRS 3: effective for periods beginning on or after 1 January 2020
- Definition of material – amendments to IAS 1 and IAS 8: effective for periods beginning on or after 1 January 2020
- The Conceptual Framework for Financial Reporting: effective for periods beginning on or after 1 January 2020
- Interest Rate Benchmark Reform Phase 1 – amendments to IFRS 9, IAS 39 and IFRS 7: effective for periods beginning on or after 1 January 2020
- Covid-19-Related Rent Concessions - amendment to IFRS 16: effective for periods beginning on or after 1 June 2020

None of the standards listed above have had a material impact upon the financial statements.

g) Standards effective in future years
Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Group's activities and are mandatory for the Group's accounting years beginning after 1 January 2021 or later and which the Group has decided not to adopt early, as none of these standards is expected to have a material impact upon adoption.

Effective for years starting on or after 1 January 2021 which will be applied for the year ending 30 September 2022:

- Interest Rate Benchmark Reform Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: effective for periods beginning on or after 1 January 2021
- Covid-19-Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16: effective for periods beginning on or after 1 April 2021

1. Significant accounting policies (continued)

h) Going concern

The Group meets its day-to-day working capital requirements through cash held at bank and the use of its revolving credit facility. The current economic conditions create uncertainty, particularly over consumer spending, however the Group's trading throughout the Covid-19 period has shown resilience to such an impact.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is cash-generative and will operate within the level of its current cash resources and lending facilities. The Group has met all debt provider covenant tests up to the date of signing these financial statements and are confident this position will remain for the foreseeable future.

The Group has recorded a loss before tax for the year and currently has negative shareholders' equity of £28.2m (2020: negative £5.7m). The Managers have considered a number of key factors in developing a complete understanding of the Group's financial position to allow them to satisfy themselves that the organisation is in a strong financial position for the foreseeable future.

The Group has reported an operating profit (£3.5m). The budgets set for FY21 have been exceeded for revenue, EBITDA and EBITDA margins. Portman has continued to demonstrate that even during FY20 which was significantly impacted by Covid-19 it was able to maintain a growth in revenue, and in FY21 revenue grew by 58%.

Management have produced forecasts for different scenarios, such as, base case, base case 'acquisitions off', 'reasonable downturn' and reverse stress test, following the principles of how the business is now operating. Management performed a reverse stress test in November 2021 which demonstrated revenue would need to fall by greater than 20% to lead to a breach of the covenant test and result in a negative cash balance. Management is comfortable that these forecasts demonstrate that the business has adequate resources to continue in operational existence for a period of not less than twelve months after the approval of these financial statements.

Management's forecast has been shown to be appropriate as practices have remained open during subsequent lockdown periods, under the provision of the new standard operating procedures ('SOPs'). Portman led the way in the dental sector creating an updated set of SOPs and these have now been followed in the business for ~18 months. Management is satisfied with how business trading has resumed under these new procedures.

During FY21 a further £25m of additional funding from the Group's parent company was received, as well as a further extension of the Group's existing credit facility by £50m. At 30 September 2021, £25m of the additional facility had been drawn and the RCF facility of £10m had been fully repaid. The additional funds received were used to fund the FY21 acquisition programme and at the year end the business' cash position was £31m.

In December 2021, the Group signed a new enhanced senior facility arrangement to June 2028, in order to facilitate future growth of the Group. The new facility has been signed with Ares who have replaced the previous lender. An additional £15m of shareholding funding has been invested into the Group as part of this arrangement.

Management do not consider there to be any material uncertainties that could arise that would impact going concern. In making this assessment management have made the assumption that future lockdowns in relation to Covid-19 or other pandemics would not result in practice closures and, as has been the case in previous lockdowns, revenue will continue to be received from NHS and scheme income. The continued availability of borrowing facilities and equity funding support managements judgement that the Group is a going concern.

i) Segment reporting

A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's management and control structure does not separate the Group's operations into different categories of business, hence the Group has only one reportable segment.

j) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Cost includes the original purchase price of the assets and costs attributable to bringing the asset to its working condition for its intended use.

Property, plant and equipment is depreciated at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	10% per annum
Plant and machinery	10% to 33% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Gains and losses on disposals of assets are calculated as the difference between the proceeds

1. Significant accounting policies (continued)
j) Property, plant and equipment (continued)
received and the carrying value of the asset at the time of disposal and are recognised in the Statement of Profit and Loss.

k) Impairment of property, plant and equipment
Impairment reviews of property, plant and equipment are undertaken whenever events or changes in circumstances indicate their carrying value may not be recoverable. If the fair value of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate, but restricted so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Any impairment losses or reversals are recognised immediately as a profit or loss.

l) Intangible assets - goodwill
Business combinations are accounted for using the acquisition method. The costs of an acquisition are measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquisition. Acquisition costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value will be recognised either within the Statement of Profit and Loss or in Other Comprehensive Income.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Identifiable intangible assets, meeting either the contractual legal or separability criterion are recognised separately from goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill in respect of an acquired subsidiary is recognised as an intangible asset.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the Statement of Profit and Loss.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

The Managers have assessed the way businesses performance is monitored at a strategic and operational level, taking into consideration the enhancements to the overall value of the Group which each acquisition contributes. Following this assessment, the Managers have concluded that it is appropriate to aggregate individual CGUs in considering goodwill impairment to reflect the true nature of the current operations of the business as the individual cash flows of the practices are no longer sufficiently independent to assess goodwill impairment at an individual practice level.

Impairment is determined by assessing the recoverable amount of the CGUs in aggregate for the UK and comparing that to the carrying value of goodwill; where the recoverable amount of the CGUs is less than the carrying amount, an impairment loss is recognised in the Statement of Profit and Loss.

Where goodwill forms part of an individual cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

m) Intangible assets – separately identifiable
Practice names acquired as part of a business combination are measured at fair value at the acquisition date. Furthermore, an amount is also attributed to the Portman name. Both are amortised in equal annual instalments over a period of 25 years which is their estimated useful economic life. Provision is made for any impairment.

Customer relationships 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. These are amortised in equal annual instalments over 7 years which is their estimated useful economic life. Provision is made for any impairment.

1. Significant accounting policies (continued)

n) Trade and other receivables
Trade and other receivables are recognised initially at fair value, which is deemed to be the transaction price. Subsequently, trade and other receivables are measured at amortised cost using the effective interest method, less any provision for expected credit losses.

o) Cash
Cash and cash equivalents comprise cash balances and money market deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the Statement of Cash Flows.

p) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction of equity, net of any tax effects.

Share premium
The share premium account represents the amount subscribed for share capital in excess of nominal value, less any costs directly attributable to the issue of new shares.

Retained deficit
The retained deficit represents the cumulative net gains and losses recognised in the Statement of Profit and Loss.

Dividends
Dividends on ordinary share capital are recognised as a liability in the Group's financial statements in the year in which they are declared. In the case of interim dividends, these are considered to be declared when they are paid and in the case of final dividends these are declared when authorised by the shareholders.

q) Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Trade payables are classified as current liabilities if payment is due within one year or less, otherwise they are presented as non-current liabilities.

r) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit and Loss over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the year of the facility to which it relates.

s) Finance income and expense
Finance income comprises interest received on cash balances.

Finance expense comprises interest payable on borrowings, amortisation and write-off of debt issuance costs and the unwinding of the discount on non-current provisions.

Interest is recognised in the Statement of Profit and Loss as it accrues, using the effective interest rate. Interest payable on borrowings includes a charge in respect of the attributable transaction costs, which are recognised in the Statement of Profit and Loss over the year of the borrowings on an effective interest basis.

t) Financial instruments
A financial instrument is initially recognised at fair value on the Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. A financial instrument is derecognised when the contractual rights to the cash flows expire or substantively all risks and rewards of ownership are transferred.

The Group's financial assets are classified in accordance with IFRS 9 and subsequently measured at amortised cost or fair value, depending on classification.

1. Significant accounting policies (continued)

t) Financial instruments (continued)
Debt instruments that meet the following conditions are measured subsequently at amortised cost:
The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets
The Group recognises a provision for expected credit losses on financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument.

In assessing whether the credit risk has increased significantly, the Group considers both quantitative and qualitative information that is both reasonable and supportable, including historical experience and forward-looking information. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

For all financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the cash flows the Group expects to receive, discounted at the original effective interest rate.

Financial liabilities
Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest method, at fair value through profit and loss (FVTPL) or at fair value through other comprehensive income (FVOCI).

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as FVTPL.

Financial liabilities at FVTPL are measured at fair value with any gains or losses arising on changes in fair value recognised in the Statement of Profit and Loss (except for those attributable to changes in the credit risk of the liability, which is instead recorded in Other Comprehensive Income). Amounts recognised in Other Comprehensive Income are not subsequently reclassified to the Statement of Profit and Loss, but are instead transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at FVOCI
Financial liabilities are classified as at FVOCI when the financial liability is designated as part of a cash flow hedge.

Financial liabilities measured subsequently at amortised cost
All other financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised as a profit or loss.

u) Current and deferred income tax
The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management yearly evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Statement of Financial Position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1. Significant accounting policies (continued)

u) Current and deferred income tax (continued)
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

v) Inventory
Inventory is stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

w) Financial risk management
Financial risk management is discussed in note 24.

x) Revenue
Revenue recognition is based on the satisfaction of performance obligations. The transaction price is allocated to these identified performance obligations, including an estimate of any variable consideration, and stated net of any sales taxes, agency commissions and trade discounts.

Customer contracts vary across the Group and contain a variety of performance obligations. Under IFRS 15, the Group must evaluate whether the goods or services are transferred over time or at a point in time for each performance obligation to reflect the nature of the delivery of the service.

A summary of how the key classes of revenue are recognised is provided below:

Scheme revenue	Over time
Private revenue	Point in time based on appointment date
NHS revenue	Over time

Private Revenue – Revenue from all private dental work is recognised based on completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on stage of completion reached during the course of treatment.

Scheme Revenue - Revenue is recognised evenly over the period in which the services are available to the scheme member, which is typically 12 months. There is no significant judgement required when considering the time pattern of revenue recognition.

NHS Revenue – Revenue derived from general dentistry NHS contracts in England and Wales is recognised based upon the volume of dental activity delivered in the financial year. Amounts received from the NHS in advance of such dental activity delivered are held on the Statement of Financial Position within provisions. More information on this is provided in note 21. Revenue from general dentistry NHS patients in Scotland and Northern Ireland is recognised based on completion of each piece of treatment carried out.

Revenue derived from orthodontic NHS contracts in England, Wales, Scotland and Northern Ireland is recognised over time based on the average length of treatment length of the Portman Portfolio, currently deemed to be 18 months. Amounts received from the NHS in advance of such dental activity delivered are held on the Statement of Financial Position within deferred revenue. Amounts still owed from the NHS for such dental activity delivered in the financial year are held on the Statement of Financial Position within accrued revenue.

Private contracts are generally less than one year in duration, as are all standard payment terms, and therefore no significant financing components exist within the Group's operations.

1. Significant accounting policies (continued)

x) Revenue (continued)

The Group applies the practical expedient to expense all incremental costs in obtaining new contracts when incurred on the condition that the contract is less than one year in duration on the basis the amortisation periods of the assets that the Group, otherwise would have recognised, is one year or less. Similarly, there are no fulfilment costs that require capitalisation.

y) Retirement benefits

For defined contribution schemes the amount charged to the Statement of Profit and Loss in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

z) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group did not make any such adjustments during the periods presented.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

1. Significant accounting policies (continued)

z) Leases (continued)
Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (note 1k) above).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

aa) Fair value measurement
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Set out below is an analysis of the valuation method of the Group's financial instruments:

The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable, for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ab) Security
Menthe Investments S.à r.l., Portman Healthcare (Group) Limited, Portman Healthcare Limited and Portman Healthcare Holdings (Ireland) Limited currently all provide security to the Group's debt providers for the external loans. All UK subsidiaries within the group which contribute 5% or more of EBITDA must grant security over their material assets to their debt providers as security against the loans, and 80% or more of the Group's consolidated EBITDA must provide security. This criteria is currently fulfilled by Portman Healthcare Limited alone.

ac) Government grants
Grants that compensate the Group for expenses incurred are recognised as other operating income in the Statement of Profit and Loss on a systematic basis in the periods in which the expenses are recognised. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. This is in compliance with IAS 20.

ad) Acquisitions
The Group's current strategy of growth is through acquisitions. For the current financial year the threshold value at which an acquisition would be considered material to the Group and disclosed separately is £13m. This equates to 2.5% of the value of non-current assets held on The Statement of Financial Position and is on the basis that a new investment of that value would be significant to the Group.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Managers are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below) that the Managers have made in the process of applying the Group's accounting policies and that have the most significant impact on the amounts recognised in financial statements.

Acquisition accounting

The group's strategy means that a significant number of acquisitions are made each year and these acquisitions typically include initial and deferred contingent consideration elements. In assessing the treatment of the deferred contingent elements of this consideration, management has considered the requirements of IFRS 3 'Business Combinations' and concluded that the terms of this consideration meet the definition of consideration rather than remuneration.

There is a degree of judgement applied in reaching this conclusion which is driven by specific contractual terms and conditions of the acquisitions. If these terms and conditions were amended for future transactions, placing different responsibilities on the parties, the conclusion might be different which could result in a materially different accounting treatment for any future deferred contingent consideration.

Determination of fair value – interest rate swap

The Group uses an exchange rate based on observable inputs (level 2) to value its interest rate swap.

Had the interest rates been 100 basis points higher, the valuation of the Group's interest rate swap would have increased by £4.1m. Had the interest rates been 100 basis points lower, the valuation of the Group's interest rate swap would have decreased by £4.2m.

Operating segment

The Group's chief operating decision-maker has been identified as the Board of Managers. The Board of Managers reviews the Group's internal reporting quarterly in order to assess performance and allocate resources.

Management has determined the operating segments based on the reports used by the Board. The Board mainly assesses performance based on Adjusted EBITDA.

The Group currently has one reportable segment.

The Group's trading is carried out and recognised within the United Kingdom. The Group is not reliant on any major customers and no single customer provides more than 10% of Group revenue.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Acquisition accounting

The Group has made significant acquisitions during the year and key judgements, such as discount rates and growth rates, exist when calculating the fair value of consideration as well as that of the acquired assets, both of which impact the goodwill recognised as part of the business combination.

Impairment of goodwill and intangibles

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to the group of UK cash-generating units as a whole when assessing for impairment, reflecting the Group's management and control structure.

The calculation of the recoverable amounts are based on estimated future pre-tax cash flows of the relevant dental practices which are discounted at an appropriate discount rate; the determination of both these factors requires the exercise of judgement.

Management have assessed the appropriate discount rate using a Weighted Average Cost of Capital ('WACC') for comparable companies operating in similar markets to the Group.

A change of +/- 0.25% in the WACC used in the current period calculation would change the calculated value in use by approximately +/- £11m. A reduction of £11m in this valuation would not result in an impairment charge.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Deferred contingent consideration
The fair value requires estimation of the value of the future cash flows and an appropriate discount rate in order to calculate the present value. The Group uses a discount rate based on unobservable inputs (level 3) to value the deferred contingent consideration relating to business combination transactions.

Had the discount rates been 1% higher, the valuation of the deferred contingent consideration would have decreased by £0.2m. Had the discount rates been 1% lower, the valuation of the deferred contingent consideration would have would have increased by £0.3m.

IFRS 16
IFRS 16 Leases requires the Group to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate ("IBR"). The Group used its IBR when recording leases initially, since the implicit rates are not readily available due to information not being available from the lessor regarding the fair value of underlying assets and direct costs incurred by the lessor related to the leased assets. The determination of the IBR requires the use of various assumptions, including the credit worthiness of the Group, which, if different from those being used, could result in a significant impact in the amount recognised as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

A change of +/- 0.25% in the IBR would change the calculated value of the leases by approximately +/- £0.2m.

Revenue from contracts with customers
The NHS pays the Group for NHS Orthodontic Treatment at a rate of 1/12th of the annual contract value per month and will make an adjustment each year if the contracted number of Units of Orthodontic Activity are not met. The Group recognises revenue based on the number of Units of Orthodontic Activity performed throughout the year. The value of each Unit of Orthodontic Activity does not change and, therefore, there is no estimation uncertainty when determining the transaction price of customer contracts, and no consideration is considered to be variable. A provision is recognised on the balance sheet for any cash received that is owed back to the NHS at the end of the contract year.

The Group uses estimates when determining the period over which to recognise the revenue received on its NHS orthodontic contracts. The Group recognises the revenue from NHS Orthodontic Treatment on a straight-line basis by recognising 1/18th of the yearly contract value in each month, thus reflecting the estimated average treatment time of 18 months. The average treatment length of 18 months is based on the most recent and accurate information that the Group has collated for a number of large Scottish orthodontic practices. This is considered to be a fair representation of the whole portfolio given that the region where the orthodontic dental activity is performed will have no bearing on the length of time it would take to complete. This estimate is reviewed annually to take into account new acquisitions in the year.

£4.1m of NHS Orthodontic revenue was deferred as at 30 September 2021 (2020: £3.5m).

3. Revenue from contracts with customers

a) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2021	**2020**
	£'000	**£'000**
Private income	136,682	74,363
Scheme income	27,601	25,643
NHS income	36,803	27,029
	201,086	**127,035**

All revenue was earned from contracts with customers in the U.K. and the Republic of Ireland.

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

3. Revenue from contracts with customers (continued)

a) Disaggregated revenue information (continued)

Timing of revenue recognition

	2021 £'000	2020 £'000
Goods and services transferred at a point in time	136,682	74,363
Services transferred over time	64,404	52,672
	201,086	**127,035**

Services transferred over time includes NHS income and Scheme income. All other revenue for the Group relates to goods and services that are transferred at a point in time.

Performance obligations for the Group are satisfied at the point the treatment is performed. There are no warranties or refund provisions or significant financing components. There is currently no variable or constrained consideration.

b) Contract balances

	2021 £'000	2020 £'000
Contract assets		
Brought forward as at 1 October	4,667	3,300
Charged to profit and loss	4,706	4,011
Utilised in the year	(4,051)	(2,644)
Carried forward as at 30 September	**5,322**	**4,667**
Contract liabilities		
Brought forward as at 1 October	4,628	3,013
Charged to profit and loss	6,301	4,284
Utilised in the year	(5,060)	(2,669)
Carried forward as at 30 September	**5,869**	**4,628**

The timing of invoicing, cash collection and revenue recognition results in trade receivables, contracts assets and contract liabilities in the Group's Statement of Financial Position. Contract assets and liabilities are included in trade receivables and trade payables balances within the Group's Statement of Financial Position. Typically, customers pay in advance for treatments where possible or on a payment plan that aligns with treatment dates.

As at the Statement of Financial Position date, any goods or services that have been transferred to customers for which consideration has not yet been received (or invoiced for) are recognised as a contract asset. Any consideration that has been received (or invoiced for) in relation to goods or services that have not been transferred to the customer is recognised as a contract liability.

Contract asset balances, where applicable, are stated net of provisions for impairment. All contract balances relate to performance obligations expected to be settled within a year, and are classified as current in the Group's Statement of Financial Position. The contract assets and liabilities have grown during the financial year in line with the growth of the underlying business.

Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £4,627,675. There was no revenue recognised in the period from performance obligations satisfied (or partially satisfied) in previous periods.

The Group applies the practical expedient provided by the standard not to disclose information about unsatisfied performance obligations on the basis that all such performance obligations are part of contracts that have an expected duration of less than one year.

4. Other operating income

	2021 £'000	2020 £'000
Deferred contingent consideration written off	1,468	815
Government grants received	1,890	5,137
Other income	16	-
	3,374	**5,952**

Deferred contingent consideration has been written off as a result of the predetermined targets not being met.

Government grants received consist of PPE stock provided free of charge by the UK government and furlough payments received from the UK government to compensate for the salary and related costs of colleagues who were unable to work during the Covid-19 pandemic. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance.

5. Loss on activities before taxation

Loss on activities before taxation is stated after charging:

		2021 £'000	2020 £'000
Materials		10,350	6,538
Laboratory costs		13,129	7,195
Associate and hygienist fees		78,794	50,460
Other cost of sales		5,950	2,778
Colleague costs		49,526	40,020
Property costs		3,113	2,475
Repair and maintenance		2,628	1,769
Administration costs		10,412	9,336
Legal and professional		6,170	3,222
Impairment of intangible assets	11	-	752
Loss on disposal of property, plant and equipment		124	-
Depreciation of property, plant and equipment	12	4,699	3,897
Depreciation of leased assets	13	3,574	2,930
Amortisation of goodwill and intangibles	11	12,519	10,218

The analysis of auditor's remuneration is as follows:

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	30	28
Fees payable to the Company's auditor for the audit of the Group's and other Group companies' financial statements	304	228
Total audit fees	334	256
Non-audit advisory fee	-	3
Taxation compliance services	-	48
Taxation advisory services	52	115
Total non-audit fees	52	166
	386	**422**

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

6. Colleague costs

The average monthly number of employees (including executive Managers) for the Group was:

	2021 No	2020 No
Practice colleagues	1,789	1,577
Administration	192	165
	1,981	**1,742**

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	44,843	36,503
Social security costs	3,670	3,066
Defined contribution pension costs	774	644
	49,287	**40,213**

There were accrued pension contributions at 30 September 2021 of £167,000 (30 September 2020: £138,000).

The payroll costs for the Group are borne by Portman Healthcare Limited, the values disclosed above are reflective of the amounts paid by Portman Healthcare Limited.

7. Key management personnel

The remuneration costs of the key management personnel of the Group were:

	2021 £'000	2020 £'000
Emoluments	1,530	1,646
Pensions	9	9
	1,539	**1,655**

	2021 No	2020 No
The number of key management personnel who are members of a money purchase pension scheme	**7**	**7**

The remuneration of the highest paid member of key management personnel was:

	2021 £'000	2020 £'000
Emoluments	283	358
Pensions	1	1
	284	**359**

The amounts disclosed above represent the remuneration for the qualifying services of the key management personnel of the Group.

IAS 24 Related party transactions ("IAS 24") requires the Group to disclose all transactions and outstanding balances with the Group's key management personnel. IAS 24 defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Manager (whether executive or otherwise) of that entity.

The key management personnel who are responsible for planning, directing and controlling the activities of the Group are the Group's Managers, the Managers of Portman Healthcare Limited and the Managers of Portman Healthcare (Group) Limited.

No commitments and guarantees were entered into on behalf of the key management personnel.

8. Finance income

	2021 £'000	2020 £'000
Interest on loan to Group undertaking (note 16)	15	-
Realised foreign exchange gains	53	-
Other	12	16
	80	**16**

9. Finance expense

	2021 £'000	2020 £'000
Bank loans and overdrafts	15,700	13,998
Interest on swaps	1,364	924
Interest on loans due to parent company (note 17)	8,344	7,078
Amortisation of transaction costs	1,884	1,660
Unwinding of discount on deferred contingent consideration	1,524	1,404
Interest on lease liabilities	2,296	2,234
Non-utilisation fee	894	-
Realised foreign exchange losses	44	-
Other	-	52
	32,050	**27,350**

10. Tax on loss on activities

	2021 £'000	2020 £'000
Current tax on loss on activities		
Corporate income tax	179	1
Net wealth tax	1	4
Withholding tax	-	1
Adjustments in respect of prior period	74	392
Total current tax charge	254	398
Deferred tax		
Current year charge/(credit)	5,301	(1,887)
Adjustments in respect of prior period	227	(363)
Total deferred tax charge/(credit)	5,528	(2,250)
Total tax charge/(credit) on loss on activities	5,782	(1,852)

The standard rate of corporation tax applied to the year ended 30 September 2021 is 19%. The UK rate of corporation tax will increase to 25% from 1 April 2023.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss before tax as follows:

	2021 £'000	2020 £'000
Loss on activities before tax	**(28,493)**	**(35,937)**
Tax at the corporation tax rate of 19% (2020: 19%)	(5,414)	(6,828)
Effects of:		
Expenses not deductible for tax purposes	1,130	1,387
Impact of tax rate differences	9,765	3,560
Adjustments in respect of prior period	301	29
Total tax charge/(credit) for period	**5,782**	**(1,852)**

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Group notes to the financial statements (continued)
For the year ended 30 September 2021

11. Intangible assets and goodwill

	Portman and practice names £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2019	178,097	24,183	160,572	362,852
Additions	21,401	9,532	26,206	57,139
At 30 September 2020	199,498	33,715	186,778	419,991
Additions	24,815	6,189	25,918	56,922
At 30 September 2021	**224,313**	**39,904**	**212,696**	**476,913**
Amortisation				
At 1 October 2019	(6,877)	(1,990)	-	(8,867)
Charge for the period	(7,477)	(2,741)	-	(10,218)
Impairment charge in period	(752)	-	-	(752)
At 30 September 2020	(15,106)	(4,731)	-	(19,837)
Charge for the period	(8,655)	(3,864)	-	(12,519)
Impairment charge in period	-	-	-	-
At 30 September 2021	**(23,761)**	**(8,595)**	**-**	**(32,356)**
Net book value				
At 30 September 2021	**200,552**	**31,309**	**212,696**	**444,557**
At 30 September 2020	184,392	28,984	186,778	400,154
At 30 September 2019	171,220	22,193	160,572	353,985

Amortisation is included within administrative expenses in the Group Statement of Profit and Loss.

The £56.9m total additions include the amounts disclosed in note 25 for goodwill and other intangibles.

All intangible assets are pledged as security over the Group's external borrowing as described in note 1ab).

Goodwill

The Group completes an impairment review of goodwill annually. In accordance with IAS 36 Impairment of assets ("IAS 36") the Group has completed a review of its operations and determined that goodwill is aggregated at the level of the two cash-generating units ("CGU"s) when assessing for impairment, reflecting the Group's management and control structure.

The Group estimates value in use by projecting pre-tax cash flows for the next 25 years together with a terminal value using a long-term growth rate and compares this to the fair value less costs to sell in the assessment of the recoverable amount. The key assumptions underpinning the recoverable amounts of the CGU tested for impairment are forecast revenue and EBITDA.

11. Intangible fixed assets and goodwill (continued)

CGU goodwill impairment review

The plans used in the impairment models are based on management's experience and future expectations of performance. Goodwill has been allocated to each CGU of the Group.

The key assumptions used are a pre-tax discount rate of 9.28% and a long-term growth rate based on past performance of 3%.

The pre-tax discount rate used is derived from a weighted average cost of capital ("WACC") calculation for the Group and benchmarked against similar organisations operating within the sector. The long-term growth rate used does not exceed the average for the sector. There were no quantitative impacts of uncertainty as a consequence of Brexit, as the Group does not consider any risks that are outside the long-term growth assumptions would have a material impact.

The total recoverable amount in respect of goodwill, as assessed by management using the above assumptions to arrive at the value in use, is greater than the carrying amount and therefore no impairment charge has been booked.

Management considers that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess value in use.

There is no unallocated goodwill relating to business combinations during the period.

A change of +/- 0.25% in the WACC used in the current period calculation would change the calculated value in use by approximately +/- £11m. A reduction of £11m in this valuation would not result in an impairment charge.

12. Property, plant and equipment

	Leasehold improvements	Dental equipment	Computer and office equipment	Total assets
	£'000	£'000	£'000	£'000
Cost				
At 1 October 2020	8,480	15,009	5,287	28,776
Additions	3,019	5,355	2,375	10,749
Disposals	(54)	(49)	(56)	(159)
At 30 September 2021	**11,445**	**20,315**	**7,606**	**39,366**
Depreciation				
At 1 October 2020	(1,027)	(3,456)	(1,889)	(6,372)
Charge for the period	(1,056)	(2,072)	(1,571)	(4,699)
Eliminated on disposals	25	10	50	85
At 30 September 2021	**(2,058)**	**(5,518)**	**(3,410)**	**(10,986)**
Net book value				
At 30 September 2021	**9,387**	**14,797**	**4,196**	**28,380**
At 30 September 2020	7,453	11,553	3,398	22,404

Property, plant and equipment with a net book value of £26,814,000 are pledged as security over the Group's external borrowing as described in note 1ab).

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

13. Leases

Amounts recognised in the Statement of Financial Position

	2021 £'000	2020 £'000
Right of use assets		
Total right of use assets at end of the financial period	**41,837**	**36,604**

	2021 £'000	2020 £'000
Lease liabilities		
Buildings - amounts falling due within one year	3,126	2,698
Buildings - amounts falling due after one year	41,653	35,992
Total lease liabilities at end of the financial period	**44,779**	**38,690**

Additions to right of use assets were £10.5m during 2021 (2020: £10.0m). The additions in 2020 include amounts for an immaterial error in the prior year calculations, and also changes in the accounting estimates in 2020 in relation to rent reviews and IBR rate roundings; the total impact on net assets for these changes was £83k.

Disposals to right of use assets were £1.7m during 2021 (2020: £nil).

Amounts recognised in the Statement of Profit and Loss:

	2021 £'000	2020 £'000
Depreciation charge – Right of use assets	3,574	2,930
Interest expense (included in finance costs)	2,296	2,234
Total charge to Statement of Profit and Loss	**5,870**	**5,164**

Maturity analysis of lease liability

	2021 £'000	2020 £'000
Undiscounted lease liability expiring:		
Within one year	5,584	4,748
Two to five years	21,972	18,741
After five years	33,016	28,579
Interest expense	(15,793)	(13,378)
Discounted right of use liability	**44,779**	**38,690**

The total cash outflow for leases in 2021 and 2020 was £5.1m and £4.4m respectively.

The Group leases buildings that are used as dental practices.

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

14. Investments

Principal investments

The Company's subsidiaries, including subsidiaries held by indirect holding companies, are:

Registered address: The Port, Rosehill, New Barn Lane, Cheltenham, Gloucestershire, GL52 3LZ, England

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Portman Healthcare (Group) Limited*	United Kingdom	Holding company	Ordinary shares	100
Portman Healthcare (Holdings) Limited*	United Kingdom	Holding company	Ordinary shares	100
Portman Healthcare (Finance) Limited*	United Kingdom	Holding company	Ordinary shares	100
Portman Healthcare Limited	United Kingdom	Dental Practice	Ordinary shares	100
Gloucester House Dental Practice Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Orthostyle Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Haynes Dental Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Ferndale Dental Clinic Limited*	United Kingdom	Dental practice	Ordinary Shares	100
Ward Dental Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Thomson Dental Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Madeley Practice Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Beaufort Dental Health Centre Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Dr Paul Baker Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Kirkgate Dental Surgery (Newark) Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Broadbank Dental (Dental Practice) Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Station House Dental Practice Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Ali Parvizi Limited*	United Kingdom	Dormant	Ordinary shares	100
James Invest Limited*	United Kingdom	Dormant	Ordinary shares	100
Stuart Jacobs Limited*	United Kingdom	Dormant	Ordinary shares	100
Colin Bunce Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Dental Dimensions Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Mark Pimble Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Absolute Orthodontics Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Dart Vale Dental Care Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Pure Dental Care Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Moor Dental Care Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Fresh Dental Care Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Optimum Orthodontics Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Cloudshill Ltd*	United Kingdom	Dental Practice	Ordinary shares	100

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

14. Investments (continued)

Principal investments (continued)

Registered address: The Port, Rosehill, New Barn Lane, Cheltenham, Gloucestershire, GL52 3LZ, England

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Hob Hey Dental Centre Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Dr Jonathan Lack Limited*	United Kingdom	Dental Practice	Ordinary shares	100
TDSML Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Country Dental Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Upton Dental Surgery Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Plymouth Orthodontics Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Fleet Copse Dental Limited*	United Kingdom	Dental Practice	Ordinary shares	100
The Whyte House Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Donovan's Dental Practice Limited*	United Kingdom	Dental Practice	Ordinary shares	100
The Cosmetic Dental Clinic Limited*	United Kingdom	Dental Practice	Ordinary shares	100
The Cosmetic Dental Clinic (Durham) Limited*	United Kingdom	Dental Practice	Ordinary shares	100

Registered address: 12 Hope Street, Edinburgh, EH2 4DB, Scotland

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Edinburgh Orthodontics Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
G3 Management Services Limited*	United Kingdom	Dental Practice	Ordinary shares	100
Scottish Centre for Excellence in Dentistry Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Fraoch Northfield Ltd*	United Kingdom	Holding company	Ordinary shares	100
AA Dental Services (Scotland) Ltd*	United Kingdom	Dental Practice	Ordinary shares	100

Registered address: 69 Athol Street, Douglas, Isle of Man, IM1 1JE

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Regent Health Services Ltd*	Isle of Man	Dental Practice	Ordinary shares	100

Registered address: Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2, Ireland

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Portman Healthcare (Ireland) Ltd	Ireland	Holding company	Ordinary shares	100
Portman Healthcare Holdings (Ireland) Ltd	Ireland	Holding company	Ordinary shares	100

* Exemption from Audit by Parent Guarantee – Entities' debts and liabilities are guaranteed by the Company at the reporting date in accordance with section 479A of the UK Companies Act 2006.

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Group notes to the financial statements (continued)
For the year ended 30 September 2021

15. Inventory

	2021 £'000	2020 £'000
Raw materials and consumables	**6,211**	**5,471**

In the opinion of the Managers, there is no material difference between the Statement of Financial Position value of inventory and their replacement cost. £10.4m (2020: £6.5m) was expensed to the Statement of Profit and Loss during the year.

Inventory with a net book value of £5,766,000 is pledged as security over the Group's external borrowing as described in note 1ab).

16. Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	2,036	2,123
Contract assets	5,322	4,667
Other debtors	6,149	5,887
Prepayments	3,242	2,394
	16,749	15,071
Amounts falling due after more than one year:		
Amounts receivable from Group undertakings	920	-
Other debtors	404	384
	1,324	384
	18,073	**15,455**

Interest is levied at 7.2% in relation to the amounts payable by Group undertakings. There are no set terms for when repayment is due.

Amounts payable by Group undertakings include:	2021 £'000	2020 £'000
Portman Healthcare (Property) Limited	**920**	-

The following table details the risk profile of the trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

	Trade receivables – days past due		
30 September 2021	**0-90**	**>90**	**Total**
	£'000	**£'000**	**£'000**
Expected credit loss rate	0%	50%	
Total gross carrying amount	1,369	1,334	2,703
Lifetime ECL	-	(667)	(667)
Total			**2,036**

	Trade receivables – days past due		
30 September 2020	**0-90**	**>90**	**Total**
	£'000	**£'000**	**£'000**
Expected credit loss rate	0%	50%	
Total gross carrying amount	1,694	859	2,553
Lifetime ECL	-	(430)	(430)
Total			**2,123**

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Group notes to the financial statements (continued)
For the year ended 30 September 2021

16. Trade and other receivables (continued)

The carrying value of trade and other receivables is a reasonable approximation of the fair value of trade and other receivables. The Group measures the provision for impairment at an amount equal to lifetime expected credit losses (ECL), estimated with reference to past default experience as well as the debtor's current financial position.

There has been no change in significant assumptions made during the current reporting year and the provision remains immaterial to the Group's trade receivables balances.

The Group writes off a trade receivable where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

There are no material overdue trade receivables that have not been provided against and there is no contractual balance outstanding on financial assets written off during the year. The Group considers its exposure to credit risk as immaterial.

Trade and other receivables with a net book value of £9,031,000 are pledged as security over the Group's external borrowing as described in note 1ab).

17. Trade and other payables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade payables	14,984	10,961
Contract liabilities	5,869	4,628
Amounts payable to Group undertakings	937	-
Other creditors	7,837	7,578
Accruals and deferred income	11,931	9,222
	41,558	32,389
Amounts falling due after more than one year:		
Amounts payable to Group undertakings	148,080	123,947
Other creditors	-	-
	148,080	123,947
	189,638	**156,336**

The carrying value of trade and other payables is a reasonable approximation of the fair value of trade and other payables. All of the Group's trade and other payables are held at amortised cost using the effective interest method.

Interest is levied at 5.99% in relation to the amounts payable to Group undertakings. There are no set terms for when repayment is due.

Amounts payable to Group undertakings include:

	2021 £'000	2020 £'000
Menthe MidCo S.à r.l.	148,076	123,947
Menthe Holdings S.C.A.	937	-
Core Equity Holdings	4	-
	149,017	**123,947**

18. Loans and borrowings

	2021 £'000	2020 £'000
Loans and borrowings	**271,718**	**255,594**
Amounts falling due within one year	-	-
Amounts falling due after one year	271,718	255,594
	271,718	**255,594**

Loans outstanding of £271.7m (2020: £255.6m) are stated after deducting £8.3m (2020: £8.9m) of costs associated with the raising of this finance which are being released to the Statement of Profit and Loss over the term of the debt, i.e. total debt at 30 September 2021 was £280.0m (2020: £264.5m).

The Group has the no external loans with a maturity greater than five years.

Menthe Investments S.à r.l., Portman Healthcare (Group) Limited, Portman Healthcare Limited and Portman Healthcare Holdings (Ireland) Limited currently all provide security to the Group's debt providers for the external loans as described in Note 1ab).

19. Derivative liabilities

	2021 £'000	2020 £'000
Notional principal amounts		
Interest rate swaps – GBP	**191,250**	**135,000**
Fair value of interest rate swaps in fair value hedge	**880**	**4,603**
Amounts falling due within one year*	-	-
Amounts falling due after one year	880	4,603
	880	**4,603**

*In line with IAS 1 all derivatives should be classified as a non-current liability.

Notional Profile

	30/09/2022 £'000	30/09/2023 £'000	30/09/2024 £'000	More than 5 years £'000
Interest rate swaps GBP	191,250	191,250	-	-
IR average strike GBP	0.777%	0.777%	-	-

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

20. *Deferred contingent consideration*

	£'000
Group	
At 1 October 2020	32,496
Utilised during the year	(4,699)
Acquisition of dental practices	12,221
Written off to profit and loss (included in other income)	(1,468)
Unwinding of discount (included in finance expense)	1,524
At 30 September 2021	**40,074**

The breakdown of deferred contingent consideration between current and non-current is as follows:

	2021 £'000	2020 £'000
Amounts falling due within one year	20,257	14,803
Amounts falling due after one year	19,817	17,693
	40,074	**32,496**

The deferred contingent consideration payable represents 'earn-out' amounts payable to vendors for achieving predetermined targets, and is dependent upon the results of the businesses acquired. Such consideration will be settled as and when it falls due under the purchase agreement. These provisions are discounted using a rate of 6.1% (2020: 5.2%).

21. Provisions

Provision for under-performance of contracted activity for NHS contracts

	£'000
Group	
At 1 October 2020	1,279
Charged to profit and loss	2,158
Utilised during the year	(1,711)
Acquired on acquisition of subsidiary	-
At 30 September 2021	**1,726**

The breakdown of provisions between current and non-current is as follows:

	2021 £'000	2020 £'000
Amounts falling due within one year	**1,726**	**1,279**

All provisions in the current and prior year are due within one year.

The provision for under-performance of contracted activity for NHS performance is dependent on NHS activity in the periods 1 January 2021 to 31 March 2021 and 1 April 2021 to 30 September 2021. Any future NHS activity cannot be carried back in order to mitigate these underperformances as at the end of September 2021. The provision in relation to 1 January 2021 to 31 March 2021 has been repaid post year end and cash outflows for the remaining provision are likely to occur between June and September 2022.

22. Deferred tax

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or another entity within the Group.

	PPE and intangible £'000	Fair value adjustment £'000	Tax losses £'000	Other £'000	Total £'000
Deferred tax assets	-	-	5,070	2,303	7,373
Deferred tax liabilities	(1,007)	(40,569)	-	-	(41,576)
At 30 September 2020	**(1,007)**	**(40,569)**	**5,070**	**2,303**	**(34,203)**
Prior year adjustment	245	28	(1,631)	1,131	(227)
Change in tax rate	(241)	(12,802)	1,086	808	(11,149)
(Charge)/credit to profit and loss	(1,328)	3,130	1,842	2,205	5,849
Recognised in other comprehensive income	-	-	-	(655)	(655)
Acquired during the year	(187)	(7,423)	-	-	(7,610)
At 30 September 2021	**(2,518)**	**(57,636)**	**6,367**	**5,792**	**(47,995)**
Deferred tax assets			6,367	5,792	12,159
Deferred tax liabilities	(2,518)	(57,636)			(60,154)

Deferred tax is provided in full on taxable temporary differences under the liability method using applicable tax rates.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

The entity has suffered a tax loss in the current period to which the deferred tax asset relates and the deferred tax assets are recognised due to it being considered probable that there will be future taxable profits available.

A deferred tax asset of £5,572k (2020: £1,428k) has been recognised on the restricted interest carried forward in this period. This is recognised against the deferred tax liabilities on the fair value adjustments on the basis that if these deferred tax liabilities were to crystallise, the deferred tax assets could be offset against the taxable profits arising.

The deferred tax asset of £220k (2020: £875k) is recognised and offset against the fair value adjustments relating to the interest rate swap.

23. Authorised and called-up share capital and reserves

	2021 £	2020 £
54,522,939 Ordinary 'A' shares of £0.05 each	2,726,147	2,726,147
Share premium	51,796,792	51,796,792
Capital contribution reserve	8,750,000	-
	63,272,939	**54,522,939**

The key rights attributable to the shares are:

- Each ordinary share entitles the holder to one vote.
- Distributions shall be made to the shareholders in proportion to the number of shares they hold in the Company.

24. Funding and financial risk management

Financial risk management
The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, revenue and borrowings.

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The Group is primarily funded by debt. The Group's operations are cash-generative, and a general exposure to liquidity risk is considered to be low. The Group monitors performance against its banking covenants on a quarterly basis.

The Group does not engage in trading or speculative activities using derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

Market risk
Market risk is the risk that changes in prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk
Interest rate risk is the risk of a change in the Group's cash flows due to a change in interest rates. The Group is partially funded using long-term floating rate loans that expose the Group to potential variability in interest rates. The Group's risk management strategy is to protect the Group against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows on the Group's floating-rate debt to the extent that it is practicable and cost-effective to do so.

Foreign exchange risk
Foreign exchange risk is the risk of a change in the Group's cash flows due to a change in foreign currency exchange rate. The vast majority of the Group's income and expenditure is in Sterling therefore the Group is not exposed to significant foreign exchange risk.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a year of greater than 90 days past due.

The ongoing impact of Covid-19 has the potential to impact the recoverability of patient debtors, the Group has therefore monitored this area closely over the current period. As at the year end the total amount of overdue debtors was immaterial.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

24. Funding and financial risk management (continued)

Credit risk (continued)

The table below details the credit quality of the Group's financial assets and contract assets, as well as the Group's maximum exposure to credit risk:

30/09/2021	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Trade receivables	16	N/A	(i)	Lifetime ECL (simplified approach)	2,703	(667)	2,036
Contract assets	16	N/A	(i)	Lifetime ECL (simplified approach)	5,322	-	5,322
Amounts receivable from Group undertakings	16	N/A	(i)	Lifetime ECL (simplified approach)	920	-	920
						(667)	

30/09/2020	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Trade receivables	16	N/A	(i)	Lifetime ECL (simplified approach)	2,553	(430)	2,123
Contract assets	16	N/a	(i)	Lifetime ECL (simplified approach)	4,667	-	4,667
						(430)	

(i) For trade receivables, contract assets and amounts receivable from Group undertakings, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance as lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 16 includes further details on the loss allowance for these assets respectively.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's finance department regularly monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

A maturity analysis of financial obligations is shown below:

30/09/2021	External loans £'000	Owed to parent undertakings £'000	Interest rate swap £'000	Deferred contingent consideration £'000
Payable within one year	-	-	869	7,723
One to two years	-	-	81	12,836
Two to five years	352,757	-	(29)	19,865
After five years	-	251,986	-	2,833

30/09/2020	External loans £'000	Owed to parent undertakings £'000	Interest rate swap £'000	Deferred Contingent Consideration £'000
Payable within one year	-	-	1,476	16,308
One to two years	-	-	1,564	9,984
Two to five years	-	-	1,901	9,817
After five years	264,500	123,947	-	108

24. Funding and financial risk management (continued)

Capital management
The Group relies on its capital for organic growth. The Group defines its capital as equity as shown in the Statement of Financial Position plus net debt (total borrowings less its cash) and seeks to achieve an acceptable return on gross capital.

The Group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include ensuring the Group maintains sufficient liquidity from the cash that the Group has generated from operations.

The Group is not subject to any externally imposed capital requirements.

Fair value
Financial assets comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade and other payables and borrowings.

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables is not materially different from their carrying value.

The following table shows the fair value of borrowings, including their value in the fair value hierarchy:

	Fair value hierarchy	2021 £'000	2020 £'000
External loans	Level 2	280,000	264,500
Loan from parent entities	Level 2	149,017	123,947
Interest rate swap	Level 2	880	4,603
Deferred contingent consideration (notes 2,20)	Level 3	40,074	32,496

The fair value of financial instruments that are not traded in the active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Hedge accounting
The Group's activities expose it to financial risks resulting from fluctuations in interest rates. The Group has entered into a derivative financial instrument (interest rate swap) to manage this. The Group is exposed to floating interest rates which are hedged and mitigated by a fixed rate interest rate swap.

The Group expects that for all designated hedge relationships, changes in value of both the Hedging Instrument and the Hedged Transaction will offset and systematically move in opposite directions given the critical terms of the Hedging Instrument and the Hedged Transactions are closely aligned. The Group performs periodic qualitative prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The potential sources of hedge ineffectiveness are:

- Movements in the Company's and hedging counterparty's credit spread that would result in movements in fair value of the Hedging Instrument that would not be reflected in the movements in the value of the Hedged Transactions.
- The possibility of changes to the critical terms (e.g. reset dates, index mismatches, payment dates) of the Hedged Transactions due to a refinancing or debt renegotiation such that they no longer match those of the Hedging Instrument. The Company would reflect such mismatch when modelling the hypothetical derivative and this could be a potential source of hedge ineffectiveness.
- The variable interest rate of the swap (i.e. 1 mo. GBP-LIBOR-BBA) is not subject to a floor whereas the Borrowings from which the Hedged Transactions are expected to flow are subject to a floor of 0% on 1 month GBP-LIBOR-BBA. At the inception of the hedging relationship, the floor had no intrinsic value and would not impact the measurement of hedge ineffectiveness. However, the Company incorporates the floor when modelling of the hypothetical derivative as this could be a potential source of hedge ineffectiveness going forward.

Each Hedging Instrument is designated in a 1:1 hedge ratio against an equivalent notional amount of Hedged Item. Should an insufficient amount of Hedged Item be available the Hedging Instrument will be de-designated or proportionally designated as appropriate.

24. Funding and financial risk management (continued)

Hedge accounting (continued)

Valuation approach
The fair value of interest rate swaps have been calculated by a third-party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date.

The inputs for the valuation of interest rate swaps are forward curves for 1 mo. GBP-LIBOR-BBA.

Derivative valuations are adjusted to reflect the impact of both counterparty credit risk and the Company's non-performance risk as required by IFRS 13.

The movement in fair value of the interest rate swap has been calculated as follows:

	2021 £'000	2020 £'000
Initial value	(4,603)	(3,423)
Gain/(loss) recognised in Other Comprehensive Income	3,680	(1,180)
Hedge ineffectiveness	43	-
Fair value at the end of the financial year	**(880)**	**(4,603)**

Hedging instruments

	Interest rates		Nominal amount hedged		Undiscounted cash flows		Change in fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
	%	%	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	0.777	1.096	191,250	135,000	(869)	(1,476)	-	-
1-2 years	0.777	1.096	191,250	135,000	(81)	(1,564)	-	-
2-5 years	-	1.096	-	135,000	29	(1,901)	3,723	(1,180)
5+ years	-	-	-	-	-	-	-	-

Hedged items

	Nominal amount		Change in value		Hedging reserve continuing	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Variable rate borrowings	191,250	135,000	3,723	(1,080)	880	4,603

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to profit or loss:

	Gains/(losses) in OCI		Hedge ineffectiveness			Reclassified to P&L		
	2021	2020	2021	2020		2021	2020	
	£'000	£'000	£'000	£'000	Line item in P&L	£'000	£'000	Line item in P&L
Variable rate borrowings	3,680	(2,107)	58	-	Other gains and losses	(15)	(927)	Loan interest and similar charges

24. Funding and financial risk management (continued)

Hedge accounting (continued)

IBOR reform (Phase 1)
The Group has considered the impact of interest rate benchmark reform ('IBOR reform') on its hedge accounting. The Group has adopted the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' issued in September 2019. Adopting these amendments provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continue should be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Group has a significant exposure to changes in the GBP IBOR benchmark. At 30 September 2021 the Group has term loans of £280.0m and interest rate swaps with a notional amount of £191.2m, which are indexed to GBP LIBOR. The interest rate swaps are designated in cash flow hedge relationships hedging the GBP LIBOR term loans.

In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has assumed that the GBP LIBOR interest rate on which the cash flows of its interest rate swaps and its hedged floating rate loans are based are not altered by IBOR reform.

The Group anticipates that GBP LIBOR will transition to SONIA and has considered an IBOR transition plan. This transition project will include changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The Group currently anticipates that the areas of greatest change will be amendments to the contractual terms of its LIBOR referenced floating-rate swaps, and updating its hedge designation.

Deferred contingent consideration
The movement in fair value of deferred consideration is disclosed in Note 20 above.

Financial assets and liabilities

	2021 £'000	2020 £'000
Financial assets		
Measured at amortised cost	14,644	13,062
	14,644	**13,062**

	2021 £'000	2020 £'000
Financial liabilities		
Measured at amortised cost	439,862	395,130
Measured at amortised cost (deferred consideration)	40,074	32,496
Measured at fair value through other comprehensive income	880	4,603
	480,816	**432,229**

Change in liabilities from financing activities

	2021 £'000	2020 £'000
Liabilities relating to financing activities at start of period	432,229	331,209
Long-term loans	31,750	82,610
Financing cash flows	(1,260)	(2,643)
Other changes	18,097	21,053
	480,816	**432,229**

25. Business combinations

The Group's objective is to acquire high quality dental practices.

Subsidiaries acquired
During the financial year, Portman Healthcare Limited acquired 100 percent of the issued share capital of shares of 12 companies which form 13 practices (2020:20) for total consideration comprising £32,720,834 (2020: £36,297,364).

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	£'000
Tangible assets	1,660
Stock	338
Other debtors	710
Cash	3,429
Trade and other creditors	(2,754)
Provisions	(149)
Other intangibles	15,843
Deferred tax	(3,878)
Total identifiable assets acquired and liabilities assumed	15,199
Goodwill	17,522
Total consideration	**32,721**
Satisfied by:	
Initial cash consideration	25,348
Deferred contingent consideration	7,373
Total consideration transferred	**32,721**

During the year Portman Healthcare Limited acquired 100% of the issued share capital of the following companies:

Subsidiary undertaking	**Acquisition date**
G3 Management Services Limited	6 November 2020
Hob Hey Dental Centre Limited	30 January 2021
Dr Jonathan Lack Limited	26 February 2021
TDSML Limited	27 February 2021
Country Dental Limited	2 March 2021
Upton Dental Limited	2 March 2021
Plymouth Orthodontics Limited	3 March 2021
Fleet Copse Dental Limited	3 March 2021
The Whyte House Limited	29 May 2021
Donovan's Dental Practice Limited	15 July 2021
The Cosmetic Dental Clinic Limited	24 July 2021
The Cosmetic Dental Clinic (Durham) Limited	29 September 2021

All of the above are dental practices.

25. Business combinations (continued)

Subsidiaries acquired (continued)

The assets and liabilities of all subsidiaries acquired were hived up into Portman Healthcare Limited, excluding the following:

- Plymouth Orthodontics Limited
- Donovan's Dental Practice Limited

Dental practices trade and assets acquired

During the current financial year, and as a key part of the Group's strategy, the Company acquired the trade and assets of 11 dental practices (2020: 9). The following table sets out the key available financial data relating to these acquisitions:

Acquisition totals for the financial year	**2021**	**2020**
	£'000	**£'000**
Tangible fixed assets acquired	1,126	684
Inventory acquired	94	114
Goodwill	7,464	6,830
Other intangible assets on acquisition	14,685	10,461
Deferred tax	(3,481)	(1,988)
	19,888	**16,101**

	£'000	**£'000**
Satisfied by:		
Initial cash consideration	15,040	13,043
Deferred contingent consideration	4,848	3,058
	19,888	**16,101**

During the year Portman Healthcare Limited acquired 100% of the trade and assets of the following entities:

Practice Acquired	**Acquisition date**
Dalkey Clinic	9 December 2020
Glasgow Orthodontics	21 December 2020
Fresh Implant and Dental Care	20 February 2021
Garstang Dental Practice	2 March 2021
Stephen Hopson Orthodontics	6 May2021
Elliott & McCarthy Dental Surgery	25 May 2021
Carbis Bay Dental Practice	29 May 2021
Cheltenham Dental Spa	22 July 2021
Specialist Dental Care	30 July 2021
A J Moore & Associates	04 September 2021
Higgins & Winter Dental Practice	18 September 2021

All of the above are dental practices.

25. Business combinations (continued)

Dental practices trade and assets acquired (continued)

The deferred contingent consideration payable represents 'earn-out' amounts payable to vendors for practices achieving predetermined targets, and is dependent upon the results of the businesses acquired. Such consideration will be settled as and when it falls due under the purchase agreement, normally within a period of approximately five years from the date of the purchase, although this period may be subject to renegotiation in exceptional circumstances such as the enforced closure of practices due to the Covid-19 pandemic.

Goodwill is calculated as the difference between the fair value of consideration and acquired assets and liabilities, and relates to the acquired workforce and reputation of the Practice. It also represents operating synergies from being part of the Group. None of the purchased goodwill is deductible for tax purposes.

Deal-related costs of £1.9m have been charged to administration expenses in the Group Statement of Profit and Loss for the year ended 30 September 2021 (2020: £1.4m) relating to the acquisitions and are not recognised within consideration.

At the acquisition date there were no contractual cash flows not expected to be collected.

Since the acquisition date, all subsidiaries and dental practice trade and assets acquired have contributed £17.9m to the Group's revenue and a profit of £3.5m. If the acquisitions had occurred on 1 October 2020, the acquired entities would have contributed £47.6m to the Group's revenue and £9.2m to retained profit.

Post-acquisition financial performance	**2021** **£'000**	**2020** **£'000**
Revenue	17,879	17,175
Cost of sales	(9,842)	(9,312)
Gross profit	8,037	7,863
Other operating expenses	(4,499)	(4,834)
Profit before tax	**3,538**	**3,029**

26. Post balance sheet events

The following subsidiaries have been dissolved since year end; Broadbank Dental (Dental Practice) Limited, Station House Dental Practice Limited, Mark Pimble Ltd.

The following trade and assets, patient list and share capital purchases were made after the period-end:

- On 2 October 2021, Portman Healthcare (Ireland) Limited purchased the share capital of Dundrum Clinic in Dublin.
- On 10 November 2021, Portman Healthcare Limited purchased the share capital of PCORTHO Limited in Abingdon.
- On 30 November 2021, Portman Healthcare Limited purchased the share capital of Crosbie Bodley Limited in South Moulton, Devonshire.
- On 30 November 2021, Portman Healthcare Limited purchased the share capital of Whitehall Dental Care Limited in Drighlington, Yorkshire.
- On 1 December 2021, Portman Healthcare (Ireland) Limited purchased the trade and assets of Cork Dental Care in Ballintemple, Cork.
- On 16 December 2021, Portman Healthcare (Ireland) Limited purchased the share capital of Cork Aesthetic and Implant Centre Limited in Wilton, Cork.
- On 17 December 2021, Portman Healthcare Limited purchased the trade and assets of Exeter Orthodontic Practice in Exeter.

26. Post balance sheet events (continued)

- On 20 January 2022, Portman Healthcare Limited purchased the trade and assets of West Parade Dental Care in Lincoln, Lincolnshire.

The share capital purchases acquired 100% of the voting rights.

In December 2021, the Group signed a new enhanced senior facility arrangement to June 2028, in order to facilitate future growth of the Group. The new facility has been signed with Ares who have replaced the previous lender. An additional £15m of shareholding funding has been invested into the Group as part of this arrangement.

The consolidated financial statements were approved by the Board of Managers and authorised for issue on 28 January 2022.

27. Related party transactions

Directors' transactions

Directors of Portman Healthcare (Group) Limited
During the year, Dr Mark Hamburger was paid net payments totalling £nil (2020: £nil) in relation to carrying out dental treatments for Portman Healthcare Limited in his capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2021 £nil (2020: £nil) was outstanding. As at 30 September 2021 there is a debtor balance of £90 (2020: £90).

During the year, Portman Healthcare Limited advanced a loan to Mr Andrew Sloan of £90,000, in addition to a loan advanced in the previous year of £85,000. Interest on these loans is charged at the Official Rate of Interest set by HMRC in the UK. Interest accrued in the year was £2,850 (2020: £1,788). As at 30 September 2021, £179,638 (2020: £86,788) was outstanding. There is no set date for repayment of these loans.

Directors of Portman Healthcare Limited
During the year, Dr Rebecca Sadler was paid net payments totalling £82,689 (2020: £76,391) in relation to carrying out dental treatments for Portman Healthcare Limited in her capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2021, £2,991 (2020: £8,074) was outstanding.

During the year, Dr Catherine Tannahill was paid net payments totalling £46,770 (2020: £12,507) in relation to carrying out dental treatments for Portman Healthcare Limited in her capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2021, £2,005 (2020: £2,634) was outstanding. As at 30 September 2021, £109,808 of deferred consideration (2020: £136,591) was outstanding and included in creditors.

During the year, Dr Nick Wenger was paid net payments totalling £188,031 (2020: £62,505) in relation to carrying out dental treatments for Portman Healthcare Limited in his capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2021, £13,411 (2020: £17,409) was outstanding.

Other related party transactions
During the year, Portman Healthcare Limited paid rent and insurance of £593,823 (2020: £595,738) in respect of premises to United Medical Property Limited, of which Mr Sam Waley-Cohen is the controlling party. As at 30 September 2021, £154,461 (2020: £146,793) was outstanding and United Medical Property Limited held rent deposits of £117,100 (2020: £117,100).

During the course of the year Menthe Holdings SCA (an intermediate parent company) issued a further 767,333 shares (all C1 Ordinary Shares), as well as £1,965,854 loan notes to members of the Group's management team.

All related party transactions are made at arm's length.

Menthe Investments S.à r.l.

Group notes to the financial statements (continued)
For the year ended 30 September 2021

28. Ultimate parent company and controlling party

The Company is a wholly-owned subsidiary of Menthe Midco S.à r.l., incorporated in Luxembourg.

Menthe Investments S.à r.l. (registered address 21 Rue Glesener, L-1631 Luxembourg), is the smallest group preparing consolidated accounts which include Menthe Investments S.à r.l. for the year ended 30 September 2021. Menthe Topco S.à r.l. (registered address 21 Rue Glesener, L-1631 Luxembourg) is the largest group preparing consolidated accounts which include Menthe Investments S.à r.l. for the year ended 30 September 2021. Copies of these consolidated financial statements can be obtained from Portman Healthcare (Group) Limited, The Port, Rosehill, New Barn Lane, Cheltenham, Gloucestershire, GL52 3LZ.

The ultimate parent company and controlling party is Core Equity Holdings L.P. (registered address 4th Floor, Harbour Place, George Town, KY1-1002, Cayman Islands).

29. Adjusted EBITDA

The Group measures its trading performance using a range of financial and non-financial key performance indicators, primarily the non-statutory measure of Adjusted EBITDA (earnings before interest, taxation, interest, depreciation, amortisation and other items defined by the Group's financing arrangements).

Due to certain limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available for the Group to invest in future growth. Adjusted EBITDA is in addition to, and not to be used instead of, measures of financial performance prepared in accordance with IFRS. The Group also notes that these alternative performance measures (APMs) may differ from the APMs used by other companies and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS.

A reconciliation between the statutory measure 'Operating profit/(loss)' to the alternative measure 'Adjusted EBITDA' is shown below:

	2021	**2020**
	£'000	**£'000**
Loss for the period	**(34,275)**	**(34,085)**
Tax	5,782	(1,852)
Net finance charges	31,970	27,334
Operating profit/(loss) for the period	**3,477**	**(8,603)**
Depreciation of property, plant and equipment	4,699	3,897
Depreciation of leased assets	3,574	2,930
Amortisation of intangibles	12,519	10,218
EBITDA	**24,269**	**8,442**
Impairment of intangible assets	-	752
Acquisition costs	1,905	1,396
Lease rental charges not recognised under IFRS 16	(5,014)	(4,342)
Add back of revenue deferred under IFRS 15	352	732
Exceptional non-operating costs	4,208	4,600
Adjusted EBITDA	**25,720**	**11,580**

Adjusted EBITDA is considered a key performance measure for the Group given that:

a) It is a proxy for cash flows and helps to assess and manage liquidity across the Group.

b) The measure is used by the Group's debt providers as part of the debt covenants, and as such reporting and analysis is required monthly.

The key performance measures used by the Group has not changed from the prior period and management's interpretation of other operating expenses remains consistent. Depreciation and amortisation do not represent cash costs and are removed from the measure.

Exceptional non-operating costs include restructuring and integration costs, such as launch costs including rebranding, redundancy costs, vacant property costs as well as costs of acquisition. These are added back when assessing the underlying profitability of the Group's day-to-day trading activities.