Menthe Investments S.à r.l.

Consolidated annual report and financial statements
for the year ended 30 September 2020
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 2020

Contents

Menthe Investments S.à r.l.

Strategic Report
For the year ended 30 September 2020

The Managers present their Strategic Report for Menthe Investments S.à r.l. and its subsidiaries (the "Group") for the year ended 30 September 2020.

Principal activity
The principal activity of the Group is the provision of dental facilities and the management of dental practices.

Business review
28 practices were acquired during the year, located in Aberdeen, Ashburton, Bath, Bingley, Bromley, Dartmouth, Edinburgh, Glasgow, Horam, Huddersfield, Isle of Man (3), Launceston, Newcastle, Nottingham, Portsmouth (2), Scunthorpe, Southwick, Stirling and Falkirk, Tavistock, Thorpe Bay, Totnes (2), Truro, Wadebridge and Wetherby. The acquisitions took the total number of practices to 142 (2019: 114).

During the first 5 months of FY20 operating performance was strong with LFL measures on both revenue and EBITDA showing growth against the prior year and EBITDA ahead of budget.

The outbreak of Covid-19 in the UK had a significant impact on performance as the measures taken by the UK's governments and healthcare regulators to prevent the spread of the virus forced us to close our practices. From the end of March to mid-June 2020, practices were closed to patients with the loss of all private fee per item revenue.

The Group benefited from revenue from the existing plan patient base and NHS contracts although these were abated by various levels as specified by the regional NHS groups.

The Group subscribed to the UK Government's furlough scheme while practices were closed and as a result was able to keep all colleagues in employment through to the practices reopening. £5.1m of furlough payments were received during 2020. Rent reductions and rent deferrals were also negotiated during the period.

Practices reopened in June, operating under new standard operating procedures that comply with the regulators' requirements and patients have been returning for treatments.

Acquisition activity switched from completion to origination over the period following the outbreak of Covid-19. The pipeline for new acquisitions is now strong, partly due to the positive publicity generated by the Group from its Covid-19 response.

During 2020, the impact of practice closure and recovery in addition to practices not being acquired during the year, both as a result of Covid-19, contributed to lost EBITDA to the Group.

Financial performance
The Group turnover for the year was £127.0m (2019: £121.6m).

This has been achieved through a combination of the following:

- 28 acquisitions during the year;
- 2019 acquisitions trading for a full 12 months during 2020;
- Growth within the existing portfolio of practices;
- Offset by lost revenue from the existing estate due to Covid-19.

The Group gross profit for the year was £60.1m (2019: £56.7m), resulting in a gross margin percentage of 47.3% (2019: 46.6%). The change in the gross margin percentage is driven by a combination of factors, including the NHS support provided during the lockdown period along with reduced materials and laboratory costs as a result of lower levels of NHS activity.

Administrative expenses were £73.9m (2019: £60.1m). This has increased from 49.4% of revenue for the year to 30 September 2019 to 58.1% for the year ended 30 September 2020, with the increase due to 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 loss of £8.6m (2019: (£2.5m)).

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.

Strategic Report (continued)
For the year ended 30 September 2020

Financial performance (continued)
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.

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

	Note	2020 £'000	2019 £'000
Revenue		127,035	121,579
Cost of sales*		(66,971)	(64,891)
Gross profit		60,064	56,688
Other operating income		5,952	919
Administrative expenses		(74,619)	(60,090)
Operating loss		(8,603)	(2,483)
Net finance costs		(27,334)	(23,323)
Tax credit		1,852	3,273
Loss for the period		**(34,085)**	**(22,533)**
Adjustments	29	45,665	38,717
Adjusted EBITDA**	29	**11,580**	**16,184**

Reconciliation of Adjusted EBITDA to adjusted net loss	2020 £'000	2019 £'000
Adjusted EBITDA	**11,580**	**16,184**
Depreciation of property, plant and equipment	(3,897)	(2,361)
Depreciation of leased assets	(2,930)	(2,416)
Amortisation	(10,218)	(8,713)
Impairment	(752)	-
Net finance costs	(27,334)	(23,323)
Tax	1,852	3,273
Adjusted net loss	**(31,699)**	**(17,356)**

* 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.

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 lender covenant tests up to the date of signing these financial statements and does not expect this position to change for the foreseeable future.

The Group has recorded a loss before tax for the year and currently has negative shareholders' equity of £5.7m (2019: £29.3m), however it does have net current assets of £6.8m, on the Group Statement of Financial Position. The Directors 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.

Going concern (continued)
Since March 2020, the business has been impacted economically by the measures taken by the government and healthcare regulators in respect of the Covid-19 pandemic. These measures initially forced the closure of our dental practices until mid-June 2020. During this time the business received assistance from some of the government and NHS support programmes. This, together with the revenue from plan patients, reduced the negative financial consequences of the temporary cessation in revenue from private fee per item patients. Furlough scheme grants totalling £5.1m were received during the course of 2020. Deferrals of rent and PAYE taxes were also negotiated, which assisted the Group's cash flow.

Whilst operating EBITDA fell significantly compared to both prior year and budget, a combination of the government support and a careful cost control programme allowed the business to record only a small operating loss.

Since the middle of June 2020, a programme of practice reopening has been allowed under new guidelines from health regulators including the use of personal protective equipment ('PPE'). We have created an updated set of standard operating procedures ('SOPs') which are now being followed in the business to protect our colleagues, the clinicians that provide a service to us and our patients. Management is satisfied with how business trading is resuming under these new procedures.

Management have produced forecasts for different scenarios, such as, base case, base case 'acquisitions off' and reverse stress test, following the principles of how the business is now operating. 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 SOPs. The Group reported a higher EBITDA, in the "New Normal" period than the expected EBITDA forecast for October and November 2020. During the third lockdown the Group's practices remained open and credit facilities are available so managements original assumptions are still applicable.

During the shutdown period, the business drew down on its credit lines in order to manage any possible liquidity demands and as at 30 September 2020, the business' cash position was £38m. The funds drawn down were retained for further acquisition activity once the government's restrictions were eased, and a further £25m of equity funding from the Group's parent company was received post year end, as well as further extensions of the Group's credit facility.

Management has also modelled the circumstances that would have to occur, such as restriction in demand for services or practice closures, in order for the business to have insufficient liquidity or to breach its banking covenant without external funding support. Management are satisfied that the likelihood of these events happening is remote. As a result, the business continues to adopt the going concern basis of accounting for the preparation of the annual financial statements.

Management do not consider there to be any material uncertainties that could arise that could 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. The continued availability of borrowing facilities and equity funding support managements 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 business is subject to various regulatory risks which are managed under the supervision of the UK Clinical Director. In order to practice, all dentists need to be registered with the General Dental Council (GDC). All dental practices in England have to hold a valid registration with the Care Quality Commission (CQC), in Wales with the Health Inspectorate Wales (HIW), and in Northern Ireland with the Regulation and Quality Improvement Authority (RQIA) in order to operate as a dental practice. In Scotland, the service needs to be registered with Health Improvement Scotland (HIS); however, the provider is the legal entity. Should the dental practices within the Group not meet the required standards as stipulated by these government bodies, it could ultimately lead to enforcement action. The UK Clinical Director and the Board are acutely aware of the standards and requirements upon which the CQC, HIW, RQIA and HIS insist, and the Group has invested sufficient resources into mitigating the risk of any CQC, HIW, RQIA and HIS related issues. Similarly, the Group has some contracts for the provision of NHS dentistry and is required to comply with its regulations and guidance.

The business is at risk from short-term business interruptions from the absence of clinical providers or the closure of a practice. This risk is mitigated by a diverse portfolio of practices and clinical providers that can cover short-term interruptions.

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 bank 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 2020 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.

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. It is not anticipated that any 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 do not believe that there is a significant material impact due to suppliers or availability of dentists or employees. Strategic stockholding has been put in place in practices for identified business-critical consumables to minimise any disruption in supplies of those items.

The impact of any change in employment rate is not felt to be significant for the Group. The Group does not expect direct challenges to the operating model as a consequence of Brexit.

Covid-19
The Group has been adversely affected by practice closures during the March-June 2020 lockdown as a result of the Covid-19 pandemic. During subsequent UK lockdowns in November 2020 and January 2021, the Group's practices have remained open. The Group returned to pre-Covid operating levels after the lifting of the first UK lockdown and have seen no reduction in patient numbers. The senior management team expect the business to continue at pre-Covid levels.

Key performance indicators
The senior management team 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 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.

Future developments
The Managers expect the general level of activity to increase compared to 2020 in the forthcoming year. 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:

G Cleaver
Manager
21 Rue Glesener
L-1631 Luxembourg
Luxembourg
Date:

Menthe Investments S.à r.l.

Management Report
For the year ended 30 September 2020

The Managers present the Management Report and the audited financial statements of the Group for the year ended 30 September 2020. The Company registration number is B225818.

Results and dividends
The loss for the year after taxation amounted to(£34.1m) (2019: (£22.5m)). The Managers do not recommend the payment of a dividend (2019: £nil). No dividends have been paid since year-end.

Political and charitable contributions
The Group's donations to charities amounted to £2,000 (2019: £1,000). 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; Malpas Dental Practice Ltd, DW Cox Ltd, D Schofield Ltd, NW Goldsmith Ltd, MN Gosztonyi Ltd, Caledonian Dental Care Ltd, Occudental Private Dental Care Ltd & Simspon & Nisbet Dental Care Ltd.

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

- On 8 October 2020, the Company purchased the patient list of Damian Allen Dental Practice in Rawtenstall.
- On 5 November 2020, the Company purchased the share capital of G3 Management Services Ltd in Kilsyth.
- On 21 December 2020, the Company purchased the trade and assets of Glasgow Orthodontics in Glasgow.
- On 19 January 2021, the Company purchased the trade and assets of Dalkey Clinic in Dublin.

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

In relation to the Covid-19 pandemic; considerations have been included in the business' going concern disclosure of the Strategic report.

Financial instruments
The Group's risk management process and the policies for mitigating certain types of risks are set out 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 senior management review of ways of working in the support functions, monthly awards to recognise outstanding colleague contributions and a 360 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.

Non-financial performance indicators (continued)

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 colleagues.

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.

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 staff.

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:

Gary Cleaver
Ailbhe Jennings
Ruth Springham

Qualifying third-party indemnity provisions
The UK Directors 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.

Menthe Investments S.à r.l.

Management Report (continued)
For the year ended 30 September 2020

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.

Approved by the Board and signed on its behalf by:

G Cleaver
Manager
21 Rue Glesener
L-1631 Luxembourg
Luxembourg
Date:

Menthe Investments S.à r.l.

Managers' Responsibilities Statement
For the year ended 30 September 2020

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 limitée
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

To the Board of Managers of
Menthe Investments S.à r.l.
21, Rue Glesener
L-1631, Luxembourg
Luxembourg

REPORT OF THE *REVISEUR D'ENTREPRISES AGREE*

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Menthe Investments S.à r.l. (the "Group") and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then 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 position of the Group as at September 30, 2020, 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 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 Information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the 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 of 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 or our 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.

Responsibilities of the Board of Managers of the Group 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 to fraud or error.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement 10022179

Deloitte.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to 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

The objectives of our audit 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 23 July 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 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism 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 is 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 the 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 are 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 the *"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 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

Luc Brucher, *Réviseur d'Entreprises Agréé*
Partner

January 29, 2021

Menthe Investments S.à r.l.

Group Statement of Profit and Loss
For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Revenue	3	127,035	121,579
Cost of sales		(66,971)	(64,891)
Gross profit		60,064	56,688
Other operating income	4	5,952	919
Administrative expenses		(73,867)	(60,090)
Impairment of intangible assets		(752)	-
Operating loss		(8,603)	(2,483)
Finance income	8	16	1,214
Finance expense	9	(27,350)	(24,537)
Net finance costs		(27,334)	(23,323)
Loss before taxation	5	(35,937)	(25,806)
Tax credit	10	1,852	3,273
Loss for the period		**(34,085)**	**(22,533)**

The notes on pages 17 to 50 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 Comprehensive Income
For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Loss for the period		(34,085)	(22,533)
Other comprehensive (expense)/income not reclassified subsequently to profit or loss			
Fair value loss arising on hedging instruments during the period	24	(1,180)	(3,423)
Deferred tax on fair value loss arising on hedging instruments during the period	22	293	582
Other comprehensive expense for the period, net of tax		**(887)**	**(2,841)**
Total comprehensive expense for the period		**(34,972)**	**(25,374)**

The notes on pages 17 to 50 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 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Intangible assets	11	400,154	353,985
Property, plant and equipment	12	22,404	19,695
Trade and other receivables	16	384	417
Right of use asset	13	36,604	29,563
		459,546	403,660
Current assets			
Inventory	15	5,471	3,094
Trade and other receivables	16	15,071	13,224
Cash and cash equivalents		37,811	8,384
		58,353	24,702
Total assets		**517,899**	**428,362**
LIABILITIES			
Current liabilities			
Trade and other payables	17	32,389	17,664
Loans and borrowings	18	-	(1,344)
Derivative liability	19	-	695
Deferred contingent consideration	20	14,803	9,284
Provisions	21	1,279	842
Lease liability	13	2,698	3,858
Tax and social security liability		401	296
		51,570	31,295
Non-current liabilities			
Trade and other payables	17	123,947	117,652
Deferred tax liability	22	34,203	30,047
Loans and borrowings	18	255,594	175,060
Derivative liability	19	4,603	2,728
Deferred contingent consideration	20	17,693	15,314
Lease liability	13	35,992	26,997
		472,032	367,798
Total liabilities		**523,602**	**399,093**
Net (liabilities)/assets		**(5,703)**	**29,269**
EQUITY			
Share capital	23	54,523	54,523
Hedging reserve		(3,728)	(2,841)
Retained deficit		(56,498)	(22,413)
		(5,703)	**29,269**

The notes on pages 17 to 50 form part of these financial statements.

Menthe Investments S.à r.l.

Group Statement of Changes in Equity
For the year ended 30 September 2020

	Note	Called -up share capital £'000	Hedging Reserve £'000	Retained Deficit £'000	Total £'000
At 30 September 2018		**54,523**	-	**120**	**54,643**
Loss for period		-	-	(22,533)	(22,533)
Other comprehensive loss – cash flow hedge	24	-	(3,423)	-	(3,423)
Deferred tax on cash flow hedge	22	-	582	-	582
Total comprehensive loss for the financial year		-	(2,841)	(22,533)	(25,374)
At 30 September 2019	23	**54,523**	**(2,841)**	**(22,413)**	**29,269**
Loss for the financial year		-	-	(34,085)	(34,085)
Other comprehensive loss – cash flow hedge	24	-	(1,180)	-	(1,180)
Deferred tax on cash flow hedge	22	-	293	-	293
Total comprehensive loss for the financial year		-	(887)	(34,085)	(34,972)
At 30 September 2020		**54,523**	**(3,728)**	**(56,498)**	**(5,703)**

The notes on pages 17 to 50 form part of these financial statements.

Menthe Investments S.à r.l.

Group Statement of Cash Flows
For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Operating loss for the period		(8,603)	(2,483)
Adjustments for:			
Depreciation	12	6,827	4,777
Amortisation	11	10,218	8,713
Impairment	11	752	-
Write off of deferred contingent consideration	4,20	(815)	-
Changes in:			
Inventory		(1,988)	(576)
Trade and other receivables		(354)	(4,633)
Trade and other payables		12,330	7,583
Provisions		268	(1,044)
Cash generated from operating activities		18,635	12,337
Income taxes paid		(354)	(1,527)
Net cash from operating activities		**18,281**	**10,810**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(27,632)	(8,319)
Acquisition of dental practices		(13,043)	(16,284)
Deferred contingent consideration payments	20	(4,379)	(4,693)
Acquisition of property, plant and equipment		(4,440)	(12,512)
Net cash from investing activities		**(49,494)**	**(41,808)**
Cash flows from financing activities			
Proceeds from borrowings		82,610	46,890
Interest paid		(14,958)	(12,429)
Repayment of lease liabilities - principal		(2,135)	(1,602)
Repayment of lease liabilities - interest		(2,234)	(1,592)
Payment of debt issue costs		(2,643)	(1,997)
Net cash from financing activities		**60,640**	**29,270**
Net increase/(decrease) in cash and cash equivalents		29,427	(1,728)
Cash and cash equivalents at the start of the period		8,384	9,560
Cash acquired on acquisition	25	-	552
Cash and cash equivalents at the end of the period		**37,811**	**8,384**

Cash and cash equivalents comprise:

	2020 £'000	2019 £'000
Cash at bank	**37,811**	**8,384**

The notes on pages 17 to 50 form part of these financial statements.

Group notes to the financial statements
For the year ended 30 September 2020

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 have 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 2020. The accounting policies adopted in the presentation of these financial statements reflect the adoption of the following new standards, amendments to standards and interpretations:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement (amendments)
- Annual improvements to IFRS standards: IFRS 3 business combinations, IFRS 11 Joint arrangements, IAS 12 Income taxes and IAS 23 Borrowing costs

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 2020 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 2020 which will be applied for the year ending 30 September 2021:

- Definition of a business – amendments to IFRS 3
- Definition of material – amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Covid-19-Related Rent Concessions - amendment to IFRS 16

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.

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 lender covenant tests up to the date of signing these financial statements and does not expect this position to change for the foreseeable future.

The Group has recorded a loss before tax for the year and currently has negative shareholders' equity of £5.7m (2019: positive £29.3m), however it does have net current assets of £6.8m, on the Group Statement of Financial Position. The Directors 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.

Since March 2020, the business has been impacted economically by the measures taken by the government and healthcare regulators in respect of the Covid-19 pandemic. These measures initially forced the closure of our dental practices until mid-June 2020. During this time the business received assistance from some of the government and NHS support programmes. This, together with the revenue from plan patients, reduced the negative financial consequences of the temporary cessation in revenue from private fee per item patients. Furlough scheme grants totalling £5.1m were received during the course of 2020. Deferrals of rent and PAYE taxes were also negotiated, which assisted the Group's cash flow.

Whilst operating EBITDA fell significantly compared to both prior year and budget, a combination of the government support and a careful cost control programme allowed the business to record only a small operating loss.

Since the middle of June 2020, a programme of practice reopening has been allowed under new guidelines from health regulators including the use of personal protective equipment ('PPE'). We have created an updated set of standard operating procedures ('SOPs') which are now being followed in the business to protect our colleagues, the clinicians that provide a service to us and our patients. Management is satisfied with how business trading is resuming under these new procedures.

Management have produced forecasts for different scenarios, such as, base case, base case 'acquisitions off' and reverse stress test, following the principles of how the business is now operating. 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 SOPs. The Group reported a higher EBITDA, in the "New Normal" period than the expected EBITDA forecast for October and November 2020. During the third lockdown the Group's practices remained open and credit facilities are available so managements original assumptions are still applicable.

During the shutdown period, the business drew down on its credit lines in order to manage any possible liquidity demands and as at 30 September 2020, the business' cash position was £38m. The funds drawn down were retained for further acquisition activity once the government's restrictions were eased, and a further £25m of equity funding from the Group's parent company was received post year end, as well as further extensions of the Group's credit facility.

Management has also modelled the circumstances that would have to occur, such as restriction in demand for services or practice closures, in order for the business to have insufficient liquidity or to breach its banking covenant without external funding support. Management are satisfied that the likelihood of these events happening is remote. As a result, the business continues to adopt the going concern basis of accounting for the preparation of the annual financial statements.

Management do not consider there to be any material uncertainties that could arise that could 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. The continued availability of borrowing facilities and equity funding support managements judgement that the Group is a going concern.

1. Significant accounting policies (continued)

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 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.

During the current year the directors have reassessed the way the businesses performance is monitored at a strategic and operational level, taking in to consideration the enhancements to the overall value of the Group which each acquisition contributes. Following this reassessment, the directors have concluded that it is now more appropriate to aggregate individual CGUs in considering goodwill impairment to better 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.

1. Significant accounting policies (continued)

l) Intangible assets – goodwill (continued)

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 between 5 and 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.

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.

1. Significant accounting policies (continued)

r) Borrowings (continued)
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.

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.

1. Significant accounting policies (continued)

t) Financial instruments (continued)

Financial liabilities (continued)

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.

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.

1. Significant accounting policies (continued)

x) Revenue (continued)
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 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 dental activity delivered are held on the Statement of Financial Position within provisions. More information on this is provided in note 21. Revenue from NHS patients in Scotland and Northern Ireland is recognised based on completion of each piece of treatment carried out.

Customer 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.

The transaction price is determined by the agreed terms of the contract. In some instances, contracts will comprise an element of variable consideration, often in the form of rebates.

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;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- 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.

1. Significant accounting policies (continued)

z) Leases (continued)

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.

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).

1. Significant accounting policies (continued)

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 bankers 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 bankers 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.

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 £10m. 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.

Judgements have also been made in relation to the impact of Covid-19. Management's judgement is that while Covid-19 had a significant impact during the first lockdown due to practice closures, the adoption of the Group's standard operating procedures (SOPs) and regulatory decisions have allowed practices to remain open during subsequent lockdowns and the Group has continued to operate. This gives management comfort that there will be limited impact on future cash flows; credit rates and recoverability of debtors.

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.

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.

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

Impairment of goodwill and intangibles (continued)
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. These include management's assessment of the impact of Covid-19; 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 +/- £7m. A reduction of £7m in this valuation would not result in an impairment charge.

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 £351k. Had the discount rates been 1% lower, the valuation of the deferred contingent consideration would have would have increased by £359k.

Determination of interest rate – impact on Group borrowings
The Group uses an interest rate based on observable inputs (level 2) to value its borrowings. The valuation of the borrowings is sensitive to the discount rate used at the loan's inception.

Assuming that the balances of the borrowings at the Statement of Financial Position date were for the whole year, had interest rates been 1% higher/lower and all other variables held constant, the Group's loss before tax would have increased/decreased by £1,445k.

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 decreased by £5,501k. Had the interest rates been 100 basis points lower, the valuation of the Group's interest rate swap would have increased by £5,773k.

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.

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 +/- £0.5m.

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.

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

Revenue from contracts with customers
The Group uses estimates when determining the transaction price of customer contracts when the contract includes variable consideration. At the reporting date, the Group has used forward-looking estimates to determine the most likely amount of variable consideration applicable to the contract.

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 contract number of Units of Orthodontic Activity are not met. The Group recognises the revenue from NHS Orthodontic Treatment on a straight-line basis by recognising 1/18th of the annual contract value in each month, thus reflecting the estimated average treatment time of 18 months. £3.5m of NHS Orthodontic revenue was deferred as at 30 September 2020 (2019: £2.2m).

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:

	2020 £'000	2019 £'000
Private income	74,363	82,831
Scheme income	25,643	20,009
NHS income	27,029	18,739
	127,035	**121,579**

All revenue was earned from contracts with customers in the U.K. only.

Timing of revenue recognition

	2020 £'000	2019 £'000
Goods and services transferred at a point in time	74,363	82,831
Services transferred over time	52,672	38,748
	127,035	**121,579**

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

	2020 £'000	2019 £'000
Contract assets		
Brought forward as at 1 October	3,300	1,494
Charged to profit and loss	4,011	2,644
Utilised in the year	(2,644)	(838)
Carried forward as at 30 September	**4,667**	**3,300**
Contract liabilities		
Brought forward as at 1 October	3,013	1,892
Charged to profit and loss	4,284	2,170
Utilised in the year	(2,669)	(1,049)
Carried forward as at 30 September	**4,628**	**3,013**

3. Revenue from contracts with customers (continued)

b) Contract balances (continued)
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 £3,012,892. 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

	2020 £'000	2019 £'000
Deferred contingent consideration written off	815	919
Government grants received	5,137	-
	5,952	**919**

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

Government grants received consist of 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.

5. Loss on activities before taxation

Loss on activities before taxation is stated after charging:

		2020 £'000	2019 £'000
Materials		6,538	6,614
Laboratory costs		7,195	8,229
Associate and hygienist fees		50,460	47,866
Other cost of sales		2,778	2,182
Colleague costs		40,020	30,667
Property costs		2,475	2,323
Repair and maintenance		1,769	1,813
Administration costs		9,336	7,536
Legal and professional		3,222	4,261
Impairment of intangible assets	11	752	-
Depreciation of property, plant and equipment	12	3,897	2,361
Depreciation of leased assets	13	2,930	2,416
Amortisation of goodwill and intangibles	11	10,218	8,713

5. Loss on activities before taxation (continued)

The analysis of auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	28	27
Fees payable to the Company's auditor for the audit of the Group's and other Group companies' financial statements	228	197
Total audit fees	256	224
Non-audit advisory fee	3	4
Taxation compliance services	48	50
Taxation advisory services	115	252
Total non-audit fees	166	306
	422	**530**

6. Colleague costs

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

	2020 No	2019 No
Practice colleagues	1,577	1,191
Administration	165	125
	1,742	**1,316**

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	36,503	26,894
Social security costs	3,066	2,375
Defined contribution pension costs	644	493
	40,213	**29,762**

There were accrued pension contributions at 30 September 2020 of £138,000 (30 September 2019: £114,000).

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. Managers

The remuneration costs of the Managers of the Group were:

	2020 £'000	2019 £'000
Short-term employee benefits	1,646	1,666
Pensions	9	3
	1,655	**1,669**

	2020 No	2019 No
The number of Managers who are members of a money purchase pension scheme	7	5

The remuneration of the highest paid Manager was:

	2020 £'000	2019 £'000
Emoluments	358	222
Pensions	1	1
	359	**223**

The amounts disclosed above represent the remuneration for the qualifying services of the Managers 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.

8. Finance income

	2020 £'000	2019 £'000
Loan notes	-	73
Realised exchange gains	-	2
Amortisation of debt costs	-	1,139
Other	16	-
	16	**1,214**

9. Finance expense

	2020	2019
	£'000	£'000
Bank loans and overdrafts	13,998	12,627
Interest on swaps	924	-
Interest on loans due to parent company	7,078	6,562
Amortisation of transaction costs	1,660	2,483
Unwinding of discount on deferred contingent consideration	1,404	1,273
Interest on lease liabilities	2,234	1,592
Other	52	-
	27,350	**24,537**

10. Tax on loss on activities

	2020	2019
	£'000	£'000
Current tax on loss on activities		
Corporate income tax	1	13
Municipal business tax	-	3
Net wealth tax	4	10
Withholding tax	1	1
Adjustments in respect of prior period	392	-
Total current tax charge	398	27
Deferred tax		
Current year credit	(1,887)	(3,079)
Adjustments in respect of prior period	(363)	(221)
Total deferred tax credit	(2,250)	(3,300)
Total tax credit on loss on activities	(1,852)	(3,273)

The standard rate of corporation tax applied to the year ended 30 September 2020 is 19% (2019: 19%).

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:

	2020	2019
	£'000	£'000
Loss on activities before tax	**(35,937)**	**(25,806)**

	2020	2019
	£'000	£'000
Tax at the corporation tax rate of 19.00% (2019: 19.00%)	(6,828)	(4,903)
Effects of:		
Expenses not deductible for tax purposes	1,387	1,214
Impact of tax rate differences	3,560	416
Adjustments in respect of prior period	29	-
Total tax credit for period	**(1,852)**	**(3,273)**

11. Intangible assets and goodwill

	Portman and practice names £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 30 September 2018	161,740	13,345	153,901	328,986
Additions acquired in business combinations	16,357	10,838	6,671	33,866
At 30 September 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**
Amortisation				
At 30 September 2018	(98)	(56)	-	(154)
Charge for the period	(6,779)	(1,934)	-	(8,713)
At 30 September 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)**
Net book value				
At 30 September 2020	**184,392**	**28,984**	**186,778**	**400,154**
At 30 September 2019	171,220	22,193	160,572	353,985
At 30 September 2018	161,642	13,289	153,901	328,832

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

The £57.1m 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 allocated to the group of UK cash-generating units (the "CGU's") as a whole 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 10% and a long-term growth rate based on past performance of 3% (adjusted for an additional 2.33% growth rate for FY22 to reflect the reduced hours in the FY21 budget due to fallow times being in place for the first half of that financial year).

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 assumed WACC would change the calculated value in use by approximately +/- £7m. A reduction of £7m in this valuation would not result in an impairment charge.

12. Property, plant and equipment

	Leasehold Improvements	**Plant and machinery**	**Total assets**
Cost	**£'000**	**£'000**	**£'000**
At 30 September 2019	7,745	14,425	22,170
Additions	735	5,871	6,606
At 30 September 2020	**8,480**	**20,296**	**28,776**
Depreciation			
At 30 September 2019	(476)	(1,999)	(2,475)
Charge for the period	(551)	(3,346)	(3,897)
At 30 September 2020	**(1,027)**	**(5,345)**	**(6,372)**
Net book value			
At 30 September 2020	**7,453**	**14,951**	**22,404**
At 30 September 2019	7,269	12,426	19,695

Property, plant and equipment with a net book value of £20,449,000 are pledged as security over the Group's external borrowing as described in note 1ab).

13. Leases

Amounts recognised in the Statement of Financial Position

	2020 £'000	2019 £'000
Right of use assets		
Total right of use asset at end of the financial period	**36,604**	**29,563**

	2020 £'000	2019 £'000
Lease liabilities		
Buildings - amounts falling due within one year	2,698	3,858
Buildings - amounts falling due after one year	35,992	26,997
Total lease liabilities at end of the financial period	**38,690**	**30,855**

Additions to right of use assets were £10.0m during 2020 and £9.5m during 2019. There were no disposals in either period. The additions in 2020 include amounts for an immaterial error in the prior year calculations, and also changes in the accounting estimates in the current year in relation to rent reviews and IBR rate roundings; the total impact on net assets for these changes was £83k.

Amounts recognised in the Statement of Profit and Loss:

	2020 £'000	2019 £'000
Depreciation charge – Right of use assets		
Buildings	2,930	2,416
Total depreciation	**2,930**	**2,416**
Interest expense (included in finance costs)	2,234	1,592
Total charge to Statement of Profit and Loss	**5,164**	**4,008**

Maturity analysis of lease liability

	2020 £'000	2019 £'000
Undiscounted lease liability expiring:		
Within one year	4,748	3,858
Two to five years	18,741	15,384
After five years	28,580	22,733
Interest expense	(13,378)	(9,105)
Discounted right of use liability	**38,691**	**32,870**

The total cash outflow for leases in 2020 and 2019 was £4.4m and £3.2m respectively.

The Group leases buildings that are used as dental practices.

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	%
Menthe Investments S.à r.l.				
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
Malpas Dental Practice Limited*	United Kingdom	Dormant	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
DW Cox Limited*	United Kingdom	Dormant	Ordinary shares	100
D Schofield Limited*	United Kingdom	Dormant	Ordinary shares	100
NM Goldsmith*	United Kingdom	Dormant	Ordinary shares	100
MN Gosztonyi Limited*	United Kingdom	Dormant	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
PS Baker Dental Care Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
MD Dental Care Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Colin Bunce Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Dental Dimensions Ltd*	United Kingdom	Dental Practice	Ordinary shares	100

14. Investments (continued)

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
Villa Dental Suite Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Ashby Dental Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Warwick Lodge (Thorpe Bay) Ltd*	United Kingdom	Dental Practice	Ordinary shares	100
Edinburgh Orthodontics 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

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

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Caledonian Dental Care Limited*	United Kingdom	Dormant	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 Companies Act 2006.

15. Inventory

	2020 £'000	2019 £'000
Raw materials and consumables	5,471	3,094

In the opinion of the Managers, there is no material difference between the Statement of Financial Position value of inventory and their replacement cost; £6.5m (2019: £6.6m) was expensed to the Statement of Profit and Loss during the year.

Inventory with a net book value of £4,893,000 is pledged as security over the Group's external borrowing as described in note 1ab).

16. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	2,123	1,508
Contract assets	4,667	3,300
Other debtors	5,887	5,906
Prepayments	2,394	2,510
	15,071	13,224
Amounts falling due after more than one year:		
Other debtors	384	366
Prepayments	-	51
	384	417
	15,455	**13,641**

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 difference customer segments.

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

	Trade receivables – days past due		
30 September 2019	**0-90**	**>90**	**Total**
	£	£	£
Expected credit loss rate	0%	20%	
Estimated total gross carrying amount	1,008	625	1,633
Lifetime ECL	-	(125)	(125)
Total			1,508

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.

16. Trade and other receivables (continued)

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 £7,843,000 are pledged as security over the Group's external borrowing as described in note 1ab).

17. Trade and other payables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade payables	10,961	8,807
Contract liabilities	4,628	3,013
Other creditors	7,578	744
Accruals and deferred income	9,222	5,100
	32,389	17,664
Amounts falling due after more than one year:		
Amounts owed to Group undertakings	123,947	116,537
Other creditors	-	1,115
	123,947	117,652
	156,336	**135,316**

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 owed to Group. There are no set terms for when repayment is due.

Amounts payable to Group undertakings include:

	2020 £'000	2019 £'000
Menthe MidCo S.à r.l.	**123,947**	**116,537**

18. Loans and borrowings

	2020 £'000	2019 £'000
Loans and borrowings	**255,594**	**173,716**
Amounts falling due within one year	-	(1,344)
Amounts falling due after one year	255,594	175,060
	255,594	**173,716**

Bank loans outstanding of £255.6m (2019: £173.7m) are stated after deducting £8.9m (2019: £8.2m) 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 bank debt at 30 September 2020 was £264.5m (2019: £181.9m).

The Group has the following external loans greater than five years:
£264.5m is at floating rates and repayable at maturity, which is between 5 and 7 years.

18. Loans and borrowings (continued)

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 bankers for the external loans as described in Note 1ab).

19. Derivative liabilities

	2020 £'000	2019 £'000
Notional principal amounts		
Interest rate swaps - GBP	**135,000**	**135,000**
Fair value of interest rate swaps in fair value hedge	**4,603**	**3,423**
Amounts falling due within one year*	-	695
Amounts falling due after one year	4,603	2,728
	4,603	**3,423**

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

Notional Profile

	30/09/2021 £'000	30/09/2022 £'000	30/09/2025 £'000	More than 5 years £'000
Interest rate swaps GBP	135,000	135,000	135,000	-
IR average strike GBP	1.096%	1.096%	1.096%	-

20. Deferred contingent consideration

	£'000
Group	
At 1 October 2019	24,598
Utilised during the year	(4,379)
Acquisition of dental practices	11,688
Written off to profit and loss (included in other income)	(815)
Unwinding of discount (included in finance expense)	1,404
At 30 September 2020	**32,496**

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

	2020 £'000	2019 £'000
Amounts falling due within one year	14,803	9,284
Amounts falling due after one year	17,693	15,314
	32,496	**24,598**

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 5.2% (2019: 5.2%).

21. Provisions

Provision for under-performance of contracted activity for NHS contracts

	£'000
Group	
At 1 October 2019	842
Charged to profit and loss	789
Utilised during the year	(521)
Acquired on acquisition of subsidiary	169
At 30 September 2020	**1,279**

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

	2020 £'000	2019 £'000
Amounts falling due within one year	**1,279**	**842**

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 period 1 October 2020 to 31 March 2021. If activity levels do not improve, cash outflows are likely to occur between June and September 2020. In previous years the profile of NHS work was such that a higher proportion of the required work was completed in the months from 1 October to 31 March. Should activity levels between 1 October 2020 and 31 March 2021 be consistent with those experienced historically, the provision would not be required.

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	155	-	624	2,381	3,160
Deferred tax liabilities	(327)	(32,880)	-	-	(33,207)
At 30 September 2019	**(172)**	**(32,880)**	**624**	**2,381**	**(30,047)**
Prior year adjustment	(573)	688	2,047	(1,799)	363
Change in tax rate	(87)	(3,787)	314	68	(3,492)
(Charge)/credit to profit and loss	(175)	2,109	2,085	1,428	5,447
Recognised in other comprehensive income	-	-	-	225	225
Acquired during the year	-	(6,699)	-	-	(6,699)
At 30 September 2020	**(1,007)**	**(40,569)**	**5,070**	**2,303**	**(34,203)**
Deferred tax assets	-	-	5,070	2,303	7,373
Deferred tax liabilities	(1,007)	(40,569)	-	-	(41,576)

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.

22. Deferred tax (continued)

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 has been recognised on the restricted interest carried forward in this period (£1,428k). 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 £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

	2020	2019
	£	£
54,522,939 Ordinary 'A' shares of £0.05 each	2,726,147	2,726,147
Share premium	51,796,792	51,796,792
	54,522,939	**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.

24. Funding and financial risk management (continued)

Financial risk management (continued)

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.

The Managers consider the Group's credit risk from cash, cash equivalents and deposits to be low as the Group only enters transactions with banks or financial institutions with a credit rating of A or above.

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 have 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.

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:

30/09/2020	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount £	Loss allowance £	Net carrying amount £
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 and contract assets, 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.

During the year when Covid-19 caused the practices to close there was an increased liquidity risk to the Group. This risk was managed by taking part in the Government furlough grant scheme, negotiating with HMRC to delay certain liabilities, negotiating with landlords to delay some rental payments and cost control within the Group. As the practices were only closed for a limited amount of time, all the deferred liabilities had been settled by year end.

A maturity analysis of financial obligations is shown below:

	External loans £'000	Loans from parent £'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.

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	2020 £'000	2019 £'000
External loans	Level 2	264,500	181,890
Loan from parent entities	Level 2	123,947	116,537
Interest rate swap	Level 2	4,603	3,423
Deferred contingent consideration (notes 2,20)	Level 3	32,496	24,598

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)

Valuation approach

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:

	2020 £'000	2019 £'000
Initial value	(3,423)	-
Losses recognised in Other Comprehensive Income	(1,180)	(3,423)
Loss on fair value at the end of the financial year	**(4,603)**	**(3,423)**

Hedging instruments

	Interest rates		Nominal amount hedged		Undiscounted cash flows		Change in fair value	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	1.096	1.096	135,000	135,000	(1,476)	(712)	-	-
1-2 years	1.096	1.096	135,000	135,000	(1,564)	(919)	-	-
2-5 years	1.096	1.096	135,000	135,000	(1,901)	(2,106)	(1,180)	(3,423)
5+ years	-	-	-	-	-	-	-	-

Hedged items

	Nominal amount		Change in value		Hedging reserve continuing	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Variable rate borrowings	135,000	135,000	(1,080)	(3,701)	4,603	3,423

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		
	2020	2019	2020	2019		2020	2019	
	£'000	£'000	£'000	£'000	Line item in P&L	£'000	£'000	Line item in P&L
Variable rate borrowings	(2,107)	(3,719)	-	-	Other gains and losses	(927)	(296)	Loan interest and similar charges

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments as at 30 September 2020. For variable rate liabilities, the analysis is prepared assuming he amount of liability outstanding at the reporting date was outstanding for the whole year.

24. Funding and financial risk management (continued)

The movement in fair value of deferred consideration has been calculated as follows:

	2020 £'000	2019 £'000
Opening fair value at start of period	24,598	21,868
Losses recognised in profit or loss	(3,790)	(4,339)
Purchases/sales/transfers	11,688	7,069
Fair value at the end of the financial period	**32,496**	**24,598**

Financial assets and liabilities

	2020 £'000	2019 £'000
Financial assets		
Measured at amortised cost	13,062	11,080
	13,062	**11,080**

	2020 £'000	2019 £'000
Financial liabilities		
Measured at amortised cost	395,130	303,188
Measured at fair value through profit or loss (deferred consideration)	32,496	24,598
Measured at fair value through other comprehensive income	4,603	3,423
	432,229	**331,209**

Change in liabilities from financing activities

	2020 £'000	2019 £'000
Liabilities relating to financing activities at start of period	331,209	269,149
Long-term loans	82,610	46,890
Financing cash flows	(2,643)	(1,997)
Other changes	21,053	17,167
	432,229	**331,209**

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 20 companies which form 19 practices (2019: 8) for total consideration comprising £36,297,364 (2019: £10,863,561).

In accordance with section 615 of the Companies Act 2006, the Company has taken no account of any premium on the shares issued and has recorded the cost of the investment at the nominal value of the shares issued.

25. Business combinations (continued)

Subsidiaries acquired (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Company:

	Book value £'000	Other adjustments £'000	Fair value To Group £'000
Tangible assets	1,482	-	1,482
Stock	274		274
Other debtors	1,490		1,490
Trade creditors	(614)		(614)
Other creditors	(1,337)		(1,337)
Provisions	(169)		(169)
Goodwill	15,088	-	15,088
Other intangibles	24,794	-	24,794
Deferred tax	(4,711)	-	(4,711)
Total consideration	**36,297**	**-**	**36,297**
Satisfied by:			
Initial cash consideration			27,678
Deferred contingent consideration			8,619
			36,297

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

Subsidiary undertaking	Acquisition date
Scottish Centre for Excellence in Dentistry Ltd	4 October 2019
Fraoch Northfield Ltd	4 October 2019
AA Dental Services Ltd	4 October 2019
PS Baker Dental Care Ltd	14 October 2019
MD Dental Care Ltd	14 October 2019
Colin Bunce Ltd	18 October 2019
Dental Dimensions Ltd	26 November 2019
Mark Pimble Ltd	28 November 2019
Absolute Orthodontics Ltd	2 December 2019
Dart Vale Dental Care Ltd	14 January 2020
Fresh Dental Healthcare Ltd	14 January 2020
Moor Dental Care Ltd	14 January 2020
Pure Dental Care Ltd	14 January 2020
Villa Dental Suite Ltd	17 January 2020
Ashby Dental Ltd	21 January 2020
Warwick Lodge (Thorpe Bay) Ltd	5 February 2020
Regent Health Services Ltd	11 August 2020
Edinburgh Orthodontics Ltd	14 August 2020
Optimum Orthodontics Ltd	23 September 2020
Cloudshill Ltd	30 September 2020

All of the above are dental practices. PS Baker Dental Care Ltd and MD Dental Care Ltd form a single practice.

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:

- Colin Bunce Ltd
- Dental Dimensions Ltd
- Moor Dental Care Ltd
- Fresh Dental Care Ltd
- Dart Vale Dental Ltd
- Pure Dental Ltd
- Regent Health Services Ltd
- Optimum Orthodontics Ltd
- Cloudshill Ltd

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 9 (2019: 15) dental practices. The following table sets out the key available financial data relating to these acquisitions:

Acquisition totals for the financial year	**2020**	**2019**
	£'000	**£'000**
Tangible fixed assets acquired	684	974
Inventory acquired	114	15
Goodwill	6,830	10,268
Other intangible assets on acquisition	10,461	11,175
Deferred tax	(1,988)	(1,624)
	16,101	**20,808**
	£'000	**£'000**
Satisfied by:		
Initial cash consideration	13,042	16,284
Deferred contingent consideration	3,059	4,524
	16,101	**20,808**

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

Practice Acquired	**Acquisition date**
Atkinson Dental Practice	2 October 2019
Hayes Dental Surgery	18 October 2019
Magpies Dental Practice	18 October 2019
Central Orthodontics	22 October 2019
Cote Royd Dental Practice	1 November 2019
Campbell Dental Practice	18 November 2019
Peveril Road Dental Practice	11 December 2019
Westhill Dental Practice	13 December 2019
Abbey Mead Dental Practice and Implant Centre	10 January 2020

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 £1.4m have been charged to administration expenses in the Group Statement of Profit and Loss for the year ended 30 September 2020 (2019: £1.3m) relating to the acquisitions and are not recognised within consideration.

Since the acquisition date, the acquired entities have contributed £17.2m to the Group's revenue and a profit of £3m. If the acquisitions had occurred on 1 October 2019, the acquired entities would have contributed £26.9m to the Group's revenue and £5.2m to retained profit.

Post-acquisition financial performance	**2020**	**2019**
	£'000	**£'000**
Revenue	17,175	12,590
Cost of sales	(9,312)	(6,756)
Gross profit	7,863	5,834
Other operating expenses	(4,834)	(3,362)
Profit before tax	**3,029**	**2,472**

26. Post balance sheet events

The following subsidiaries have been dissolved since year end; Malpas Dental Practice Ltd, DW Cox Ltd, D Schofield Ltd, NW Goldsmith Ltd, MN Gosztonyi Ltd, Caledonian Dental Care Ltd, Occudental Private Dental Care Ltd & Simspon & Nisbet Dental Care Ltd.

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

- On 8 October 2020, the Company purchased the patient list of Damian Allen Dental Practice in Rawtenstall.
- On 5 November 2020, the Company purchased the share capital of G3 Management Services Ltd in Kilsyth.
- On 21 December 2020, the Company purchased the trade and assets of Glasgow Orthodontics in Glasgow.
- On 19 January 2021, the Company purchased the trade and assets of Dalkey Clinic in Dublin.

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

In relation to the Covid-19 pandemic; considerations have been included in the business' going concern disclosure of the Strategic report.

27. Related party transactions

Directors' transactions

Directors of Portman Healthcare (Group) Limited
During the year, Dr Mark Hamburger (Director) was paid net payments totalling £nil (2019: £9,378) 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 8. As at 30 September 2020 £nil (2019: £nil) was outstanding. As at 30 September 2020 there is a debtor balance of £90.

Directors of Portman Healthcare Limited
During the year, Dr Rebecca Sadler was paid net payments totalling £76,391 (2019: £81,745) 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 8. As at 30 September 2020, £8,074 (2019: £6,614) was outstanding.

During the year, Dr Roy Bennett was paid net payments totalling £42,492 (2019: £83,609) 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 8. As at 30 September 2020, £4,540 (2019: £6,995) was outstanding. As at 30 September 2020, £146,156 of deferred consideration (2019: £178,021) was outstanding and included in creditors.

During the year, Dr Catherine Tannahill was paid net payments totalling £12,507 (2019: £nil) in relation to carrying out dental treatments for Portman Healthcare Limited in her capacity as a dental practitioner, and £9,000 (2019: £nil) in relation to rental payments. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 8. As at 30 September 2020, £2,634 (2019: £nil) was outstanding. As at 30 September 2020, £136,591 of deferred consideration (2019: £nil) was outstanding and included in creditors.

During the year, Dr Nick Wenger was paid net payments totalling £62,505 (2019: £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 8. As at 30 September 2020, £17,409 (2019: £nil) was outstanding.

Other related party transactions
During the year, Portman Healthcare Limited paid rent and insurance of £595,738 (2019: £488,421) in respect of premises to United Medical Property Limited, of which Mr Sam Waley-Cohen is the controlling party. As at 30 September 2020, £146,793 (2019: £127,413) was outstanding and United Medical Property Limited held rent deposits of £117,100 (2019: £95,225).

During the year, Portman Healthcare Limited purchased goods from I-Services totalling £nil (2019: £6,166). I-Services is an entity which is controlled by Dr Mark Hamburger. As at 30 September 2020, £nil (2019: £nil) was outstanding.

During the year, Portman Healthcare Limited purchased services from Mellow Dental totalling £3,190 (2019: £5,000). Mellow Dental is an entity which is controlled by Dr Roy Bennett. As at 30 September 2020, £nil (2019: £2,500) was outstanding.

During the course of the year Menthe Holdings SCA (an intermediate parent company) issued a further 93,058 shares (83,892 C1 Ordinary Shares, 8,333 A Ordinary Shares and 833 B Ordinary Shares) as well as £155,803 loan notes to members of the Group's management team.

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 2020. 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 2020. 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 normal trading performance on a regular basis 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 Loss' to the alternative measure 'Adjusted EBITDA' is shown below:

	2020 £'000	2019 £'000
Loss for the period	**(34,085)**	**(22,533)**
Tax	(1,852)	(3,273)
Net finance charges	27,334	23,323
Operating loss for the period	**(8,603)**	**(2,483)**
Depreciation of property, plant and equipment	3,897	2,361
Depreciation of leased assets	2,930	2,416
Amortisation of intangibles	10,218	8,713
Impairment of intangible assets	752	-
Non-recurring (income)/costs	(3,311)	2,962
Other non-GAAP adjustments	4,301	970
Acquisition costs	1,396	1,245
Adjusted EBITDA	**11,580**	**16,184**

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 lenders as part of the debt covenants, and as such reporting and analysis is required monthly.

The key performance measures used by the Group have not changed from the prior period and management's interpretation of other operating expenses remains consistent. Management continue to identify the following items as non-operational or non-recurring in nature and are excluded in Adjusted EBITDA. Depreciation and amortisation do not represent cash costs and are removed from the measure.

Significant non-recurring items include professional fees outside the normal course of business.

Other non-GAAP adjustments include any charges or credits relating to non-recurring items including 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.