

Portman Healthcare (Group) Limited

**Annual report and financial statements
for the year ended 30 September 2022**

Registered number 11396754

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Portman Healthcare (Group) Limited

Report and financial statements

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Portman Healthcare (Group) Limited

Strategic Report

The Directors present their Strategic Report for Portman Healthcare (Group) Limited and its subsidiaries (the "Group") for the year ended 30 September 2022 ("FY22").

Principal activity

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

Business review

During FY22 the Group continued to focus on providing superb care to its patients whilst growing both organically and inorganically.

48 practices were acquired during the year, located in Abingdon, Airdrie, Ballyclare, Banstead, Brighton, Canterbury, Chichester, Chigwell, Daresbury, Derby, Drighlington, East Kilbride, Exeter, Falkirk, Fleet, Folkestone, Glasgow, Haddington (x2), Hale Barns, Hastings, Horsham (x3), Huddersfield, Immingham, Kenilworth, Lewes (x2), Lincoln, Liverpool, London (x4), Manchester (x2), Middlesbrough (x2), Oxted, Preston, Rye, Sevenoaks, South Cave, South Molton, Stirling, Swindon and Winchester.

One practice was disposed of during the year, located in Ilchester.

The acquisitions and the disposal took the total number of practices at 30 September 2022 to 211 (2021: 164). The pipeline for new acquisitions continues to grow.

FY22 revenue was strong with an increase of 24% from the prior year, to £250m in the current year. This growth has been generated from acquisitions, reduced impact from Covid-19 throughout FY22 and patient numbers continuing to grow throughout the year; these have remained above pre Covid-19 levels.

In August 2022 the Group announced its proposed merger with Dentex Healthcare Group. Completion of the merger, which is subject to review by the Competition and Markets Authority, will see the combined entity join together to form one of the largest dental groups in the UK and one of Europe's largest dental care platforms. The newly combined group will operate circa 400 practices, with more than 2,000 clinicians and more than 4,000 employees and provide dental care for over 1.5 million patients per year.

Financial performance

The Group revenue for the year was £249.6m (2021: £201.0m).

This has been achieved through a combination of the following:

- 48 acquisitions during the year;
- 2021 acquisitions trading for a full 12 months during 2022; and
- Growth within the existing portfolio of practices.

The Group's gross profit for the year was £114.9m (2021: £92.9m), resulting in a gross margin percentage of 46.0% (2021: 46.2%).

Other operating income was £3.9m (2021: £3.3m) and administrative expenses were £120.3m (2021: £91.8m), resulting in an operating loss of £1.5m (2021: operating profit of £4.4m).

As a percentage of revenue, administration expenses have increased from 45.7% for FY21 to 48.2% for FY22. This increase has arisen as a result of the growth in the number of practices owned, with practice acquisitions leading to additional practice overhead costs, together with an expansion of central Group functions to service the expanding practice portfolio. Investment in senior leadership has taken place in FY22 in readiness for the expanded business in FY23 and beyond. There has also been significant one off consultancy costs and acquisition costs increased from £1.9m to £2.7m in FY22.

Over the next 5 years Management's target is to reduce administration expenses as a percentage of revenue as scale benefits spread the invested cost base over a larger number of practices. In addition, private revenue price increases have been implemented in Q1 FY23, whereas the cost base has increased in earlier months due to inflation impacts over FY22. This together with the increase in the number of practices means management are confident that the business will return to generating an operating profit in the future.

The Group continued to generate a positive cash flow from operating activities, of £19.9m (2021: £26.9m). The reduction in operating cash flow is mainly driven by one off consultancy costs and increased deal costs.

The Directors consider that Adjusted EBITDA (as defined in note 30 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.

Portman Healthcare (Group) Limited

Strategic Report (continued)

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:

	2022 £'000	2021 £'000
Revenue	249,585	200,996
Cost of sales*	(134,679)	(108,134)
Gross profit	114,906	92,862
Other operating income	3,890	3,374
Administrative expenses	(120,335)	(91,804)
Operating (loss)/profit	(1,539)	4,432
Net finance costs	(48,972)	(32,491)
Tax charged	(1,232)	(5,546)
Loss for the period	(51,743)	(33,593)
Adjustments	78,236	59,502
Adjusted EBITDA**	26,493	25,909

* 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 30 of the Group financial statements, Adjusted EBITDA comprises earnings before interest, tax, depreciation and amortisation. It 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 use of its revolving credit facility. The current economic conditions create uncertainty, particularly over consumer spending, however the Group's trading throughout FY22 period has shown resilience to such an impact, with continued growth in patient numbers and, therefore, revenue.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is cash-generative from its operating activities and will operate within the level of its current cash resources and lending facilities. Details of the lending facilities are given in note 19. Portman Healthcare (Group) Limited provides funding to the Group; during FY22, Portman Healthcare (Group) Limited obtained a further extension of their existing credit facility and they have met all debt provider covenant tests up to the date of signing these financial statements and are confident this position will remain for the foreseeable future.

The 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.

The Group has reported an operating loss of £1.5m in FY22 (FY21: operating profit £4.4m). The operating loss in FY22 was caused by an increase in administrative expenditure due to significant one-off consultancy costs, and an increase in acquisition costs. Due to the one-off nature of these costs, management do not consider these to pose a risk to the going concern assessment.

Management have produced forecasts for different scenarios, such as, base case, base case 'acquisitions off', 'reasonable downturn' and reverse stress test, following the principles of how the business is now operating. Management 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 performed a reverse stress test in which demonstrated revenue would need to fall by greater than 20% to lead to a breach of the covenant test and result in a negative cash balance. Management's view is that the likelihood of the Group not being a going concern is remote based on the reverse stress test forecast.

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

Portman Healthcare (Group) Limited

Strategic Report (continued)

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 revenue. The Group is also exposed to the same inflationary pressure on operating and administrative expenses as other businesses in the same and wider industry sectors other than fees to dentists which are linked to revenue invoiced.

Operational risk

The Board is ultimately responsible for the system of risk management and internal control. Additionally, the business is subject to various clinical risks which during the year were managed under the supervision of the UK Clinical Director. After the year end the Group have appointed a new Chief Clinical Officer who now monitors these risks. The business also maintains a regulatory function with day-to-day responsibility for maintaining business compliance and risk management processes.

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

Dental practitioners are subject to high levels of regulation and supervision from the relevant regulatory bodies in all jurisdictions in which the Group operates. The Group takes all practical steps to ensure its practices and practitioners conform to the required regulatory standards.

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 Directors have reviewed the possible implications of Covid-19, as discussed in more detail below.

Financial risk

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

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

The Group continues to develop a pipeline of high-quality dental practice acquisition targets. The Group's organisational structure is well developed with experienced central and operational management in place to enable it to purchase additional practices and carefully integrate them during 2022 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 Directors 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 Directors 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.

Covid-19

The Group's practices have remained fully open throughout FY22. The Group has however experienced patient appointment cancellations and colleague absences due to Covid-19 cases and the practices work to fill these appointments with other patients.

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

Portman Healthcare (Group) Limited

Strategic Report (continued)

Key performance indicators

The senior management team monitors internal key performance indicators (KPIs) at a Group level on a weekly and monthly basis. The KPIs regularly monitored include revenue, gross margin and adjusted EBITDA. A qualitative review of these KPIs can be found in the financial performance section above.

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

Non-financial KPIs are described in the Directors' Report on pages 8 and 9.

Future developments

In August 2022 the Group announced its proposed merger with Dentex Healthcare Group. Completion of the merger, which is subject to review by the Competition and Markets Authority, will see the combined entity join together to form one of the largest dental groups in the UK and one of Europe's largest dental care platforms. The newly combined group will operate circa 400 practices, with more than 2,000 clinicians and more than 4,000 employees and provide dental care for over 1.5 million patients per year. As a result of the above merger, and the continuing objective to acquire high quality Dental Practices, the Directors expect the level of activity to increase in the forthcoming year compared to FY22.

Directors' duties and Section 172 statement

The likely consequences of any decision in the long-term

During FY22 the executive team has continued with its five-year strategic plan, the key aspects of which are:

- Continue to grow by acquisition
- Driving operational excellence
- Explore adjacent areas
- IT transformation

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

The strategic combination with Dentex will provide a platform for continued rapid growth supported by enhanced investment in the service provision to patients, clinicians and colleagues. The merger is enabled by a strong cultural and strategic alignment between the two businesses which have focussed on being values driven, inspiring high standards of clinical practice, prioritising the long-term care for patients and being the preferred choice for the dentistry profession.

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

The Group continues to assess a comprehensive range of adjacent opportunities and will prioritise a selection of these in order to develop the concepts further with the objective of transforming the clinical and patient experience in dentistry.

The Group has initiated a long-term project to improve back-office systems, processes and ways of working in order to increase efficiencies and enable back-office functions to become more scalable as the business continues to expand. The discovery phase of this project was completed in FY22; as a result of this phase the following initiatives are now being implemented:

- Selection of a new Talent Acquisition System, which is nearing completion of its configuration prior to launch;
- Selection process for a new ERP system has been started and is expected to conclude in early 2023 before configuring the Finance and People modules later in the year.

The Group has invested significant time in detailing its processes and enterprise architecture to provide a solid foundation to inform this transformation project.

Portman Healthcare (Group) Limited

Strategic Report (continued)

Directors' duties and Section 172 statement (continued)

Looking after the interests of the Groups employees

Our colleagues are the key to our success as an organisation. Their hard work, personal engagement and service orientation ensure we provide excellent care for our patients and form the basis of all our business achievements.

The pandemic in 2020 and 2021 made our working world uncertain. Helping colleagues make sense of this uncertainty has been at the centre of all of the Group's people related activities. Despite continued uncertainty in the early months of 2022 colleague engagement scores have shown improvements in April's pulse engagement survey.

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

Colleague engagement

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

The 'Your Voice' survey results indicated, through a pulse survey in April 2022, an overall improvement in engagement of 3% points. The Group has prioritised three specific areas in order to continue to develop its overall colleague engagement:

- Communication
- Reward
- Learning & Development

Communication

It has been identified that colleagues continue to want clearer communication around the results from the surveys, and communication in general, with both being shared openly. The Group has continued to work with colleagues to share results and put in place actions that further develop colleague engagement. On top of monthly practice manager forums, monthly nurse forums, more regular practice team meetings and one-to-one meetings, the Group has introduced: a forum for its central support colleagues; a project team to establish an internal communications portal; and the introduction of a 'walking in their shoes' concept where colleagues shadow colleagues in the central support office shadow colleagues in practice and visa versa.

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

Reward

The Group has continued to focus on the reward offering and ensuring they respond appropriately to external factors while maintaining budgets and affordability. Some of the key activities have included:

- Continued development of the nurse pay and progression framework, through collaboration with key stakeholders including our nurse colleagues. This framework was launched in September 2022 with all nurses mapped against the different roles.
- Benchmarked nurse roles and agreed minimum rates for these.
- A review of all benefits across UK, ROI and Isle of Man has been carried out with improvements agreed and being implemented over the next 1-2 years.
- Increased salary uplift in April 2022 and a further cost of living increase in October 2022 which was tiered appropriately to benefit lower earners.
- Establishing principles for reward and appropriate governance.

This has been essential to ensure the Group is competitive and to reflect their employer brand and position in the marketplace.

Portman Healthcare (Group) Limited

Strategic Report (continued)

Directors' duties and Section 172 statement (continued)

Looking after the interests of the Groups employees (continued)

Learning and Development

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

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

- A series of personal and team development workshops for all Support Team and Practice Managers using Insights Discovery to build self-awareness, team-working and personal effectiveness.
- A career development workshop for Support Colleagues aimed at supporting them to define and develop their own career plans within the Group.
- We have invested in Senior Leadership Team development with a workshop series focusing on team purpose, leadership behaviours and team effectiveness.
- 360-degree feedback programme for all leaders to develop their self-awareness, explored further in action-led behavioural development workshops to reflect on new learning.
- Developed and initiated rollout of the next phase of Senior Leadership Development with a 6-month development programme called 'Connected Leadership'.
- An internal development programme for our operations and integrations managers called 'Ignite', focusing on leadership, self-awareness, people management and collaborative working.
- An internal development programme for our practice managers called 'Time to Thrive', again focusing on leadership, self-awareness, people management and collaborative working.
- Development plans are well under way to take practice manager development to a new level, whilst ensure that induction training, job-skills training and further development and aspirational training are all included to enable our practice managers to perform well
- Over 20 'Sedation, implant and impression taking for nurses' courses across our practices.
- Clinical, operations and integrations team development workshops focusing on their collaboration and ways of working.

We continue to recruit and develop nurse apprentices throughout the Group and launched our very first Portman apprenticeship programme in Northern Ireland in collaboration with South West College in Omagh.

- As part of the above, we have successfully trained and developed 14 trainee dental nurses to achieve fully qualified DCP status, and we are about to embark on our second cohort of nurse development in Northern Ireland, again with 14 trainees.
- Development plans are under way to take a similar, ring-fenced community learning approach with trainee dental nurses in England.

Colleague Wellbeing

The Group continues to train and develop mental health first aiders, and have educated all practice managers to be more aware and focused not only on their own mental health and wellbeing but also how to have conversations and support colleagues in their practices.

The Group has launched a group-wide menopause awareness initiative for all colleagues.

Portman Healthcare (Group) Limited

Strategic Report (continued)

Directors' duties and Section 172 statement (continued)

Gender Pay

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

The employed dental sector is 85% female and this reflects in our gender pay gap. While we recognise we cannot change the industry on our own, we can look to ensure we create opportunity, equality and equity within our organisation.

The Group is actively addressing gender pay gap by:

- Improving our reporting to ensure we have the relevant data to be able to effectively report equality, diversity and inclusion ('ED&I');
- Reviewed our adverts and campaigns and implementing changes to maximise ED&I effectiveness.
- We have continued to see an increase in females employed in senior roles and during the year Julie Ross was promoted to Managing Director of UK & Ireland.
- Ensuring that flexible working practices are not considered a barrier to functioning in senior roles.
- Enhancing our maternity and paternity offerings to support our working parents.
- Reviewing and enhancing our nurse pay providing increased minimum pay rates for the different nurse roles in the Group.
- Ensuring internal and external benchmarking of salaries to ensure parity with hires with awareness of gender bias.
- Reviewing and evaluating gender pay when making bonus payments and salary increases.
- Continuing to invest in apprenticeship programmes as a method of attracting new talent from under-represented groups in dentistry.
- Requesting gender balanced long lists when hiring senior roles.

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

Customers

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

Suppliers

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

The Group's in-house procurement function continues to grow and mature in line with the business. In 2022, this function developed and enhanced all elements of the Group's business relationships with suppliers in order to support services to customers.

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

Regulators

The dental industry is heavily regulated and the Group is subject to strict regulatory requirements issued by bodies such as the General Dental Council, the Care Quality Commission, Health Inspectorate Wales, and the Regulation and Quality Improvement Council (in Northern Ireland).

The Group's regulators expect the business to:

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

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

Portman Healthcare (Group) Limited

Strategic Report (continued)

Directors' duties and Section 172 statement (continued)

The impact of the Group's operations on the community and environment

The business regularly encourages its practices to take an active role in their communities; in fact each practice receives a set sum to invest in a local community project or charity. We also have a programme to allow our dentists to treat cases of high need in refugee populations at discounted or no cost.

During FY22, the business will include as part of its objectives and key results consideration of how we can improve our ways of working to better protect our environment and mitigate our impact on climate change. This will focus on understanding the research available as well as developing key actions we can take to mitigate the effect the Group has on the environment.

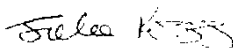
Maintaining a reputation for high standards of business conduct

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

Acting fairly for all shareholders

The Group is 100% owned by Menthe Investments S.à r.l.

This report was approved by the Board of Directors on 20 February 2023 and signed on its behalf by:



Julie Ross

Managing Director UK & Ireland
Rosehill
New Barn Lane
Cheltenham
Gloucestershire
GL52 3LZ

Portman Healthcare (Group) Limited

Directors' Report

The Directors present the Directors' Report and the audited financial statements of the Group for the year ended 30 September 2022. The Company registration number is 11396754.

Results and dividends

The loss for the year after taxation amounted to £51.7m (2021: £33.6m). The Directors do not recommend the payment of a dividend (2021: £nil). No dividends have been paid since the year-end to the date of signing the financial statements.

Political and charitable contributions

The Group's donations to charities amounted to £28,000 (2021: £2,000). The increase was mainly due to donations to RefuAid. No contributions were made to political organisations in either year.

Future developments

In August 2022 the Group announced its proposed merger with Dentex Healthcare Group. Completion of the merger, which is subject to review by the Competition and Markets Authority, will see the combined entity join together to form one of the largest dental groups in the UK and one of Europe's largest dental care platforms. The newly combined group will operate circa 400 practices, with more than 2,000 clinicians and more than 4,000 employees and provide dental care for over 1.5 million patients per year.

The merger will further enhance the Group's continued objective to acquire high quality dental practices.

Events after the balance sheet date

The proposed merger with Dentex (referred to in Future Developments above) will see the Group acquire the equity share capital of Dentex Healthcare Group. Due to the size of the transaction and the scale of the proposed merged businesses the transaction is currently under review by the Competition and Markets Authority ("CMA"); the final structure of the deal will be formalised on receipt of the report a final decision from the CMA.

The consideration amount and the structure of the transaction has not yet been concluded but will be made up of a combination of cash and equity. Completion of the transaction is subject to shareholder and the CMA's final decision and is expected to occur in Q1 of the 2023 calendar year. Due to the timing of the merger the full financial effect of this transaction was not therefore available at the time of signing the financial statements.

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

- On 31 October 2022, Portman Healthcare Limited purchased the trade and assets of Birchington Orthodontics in Birchington, Kent.
- On 16 November 2022, Portman Healthcare Limited purchased the trade and assets of South Gate Dental Practice in Southgate, London.
- On 6 December 2022, Portman Healthcare Limited purchased the trade and assets of Dr Matthew Parsons Dental Practice in Liverpool.
- On 8 December 2022, Portman Healthcare Limited purchased the trade and assets of Radiant Dental and Implant centre, Enniskillen.
- On 21 December 2022 Portman Healthcare Limited purchased the share capital of St Michael's Orthodontic Limited, Wakefield
- On 21 December 2022 Portman Healthcare Limited purchased the trade and assets of St Michael's dental practice, Wakefield.
- On 13 February 2022 Portman Healthcare Limited purchased the share capital of Myint Dental, Deal.

The share capital purchases acquired 100% of the voting rights at the acquisition date. The full financial effect of these acquisitions was not available at the time of signing the financial statements due to the proximity of the timing of the acquisitions to the year end date.

The following subsidiaries have been dissolved since year end; Hob Hey Dental Centre Limited and Country Dental Limited.

Financial risk management

The Group's risk management process and the policies for mitigating certain type of risks are set out in the Strategic Report on pages 2 and 3, and in note 25.

Non-financial key 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 and presentation 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.

Portman Healthcare (Group) Limited

Directors' Report (continued)

Non-financial key performance indicators (continued)

Employee involvement and engagement (continued)

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

Engagement with customers and suppliers

Patients are the key to the success of the business. Regular customer feedback is gathered through net promoter scores and Google Stars; ratings on both these measures have been consistently high throughout the year. The Group actively engages with large suppliers to ensure positive relationships. Regular meetings are held between the Group's procurement function and key supplier account managers.

Health and safety

The wellbeing of colleagues and patients is at the heart of the Group's activities. Through the Covid-19 crisis, the Group's central office premises have been made Covid-secure, and industry-leading standard operating procedures were 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.

Streamlined Energy and Carbon Reporting

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

a) Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated GHG emissions are for those within the UK only that come under the operational control boundary of the qualifying organisation, Portman Healthcare (Group) Limited. This comprises mandatory inclusion of scope 3 business travel in employee-owned vehicles ("grey fleet").

b) Reporting period

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

c) Quantification and reporting methodology

The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The 2022 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations as these relate to the majority of the reporting period. The report has been reviewed independently by Briar Consulting Engineers Limited.

Electricity and gas consumption has been based on a monitoring database from the Group's energy consultant, eEnergy, which is in turn collated from invoice records. Where invoices have not been made available, benchmarks have been applied. During this financial year, the portfolio has grown by 52 sites. Whilst these sites have not been functional across the entirety of the reporting period, this statement includes a full 12 months of consumption data for each so that intensity ratio and year on year comparisons are like for like. Mileage was used to calculate energy and emissions from grey fleet. Gross calorific values were used except for mileage energy calculations as per Government GHG Conversion Factors.

According to the 2018 Regulations, the emissions can be divided into mandatory and voluntary emissions; in this instance there are no voluntary emissions to report. Emissions are then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of company activities but occur from sources not owned or controlled by the organisation (scope 3).

Portman Healthcare (Group) Limited**Directors' Report (continued)****Streamlined Energy and Carbon Reporting (continued)****Breakdown of energy consumption used to calculate emissions (kWh):**

Energy type	2021/2022	2020/2021
Electricity	5,861,788	3,720,511
Natural Gas	3,142,772	4,284,615
Transport fuel	210,809	143,026
Total gross energy consumed	9,215,369	8,148,152

Breakdown of emissions associated with the reported energy use (tCO₂e)

Emission source	2021/2022	2020/2021
Mandatory requirements:		
Scope 1		
Natural gas	573.7	784.8
Scope 2		
Purchased electricity (location-based)	1,133.6	772.2
Scope 3		
Transport (grey fleet)	52.0	35.2
Total gross mandatory emissions	1,759.3	1,592.2

d) Intensity Ratio

The intensity ratio used is total gross emissions in metric tonnes CO₂e (mandatory emissions) per £million revenue. This metric is considered the most relevant to the Group's energy consuming activities and provides a good comparison of performance over time and across different organisations and sectors. The Group's intensity ratio has reduced by 14.0% this year.

	2021/2022	2020/2021
Tonnes of CO ₂ e per £million revenue*	6.89	8.01

e) Energy efficiency action during current financial year

The management of resources is an important issue for the Group. In the period 1 October 2021 to 30 September 2022, the Group has undertaken the following actions to improve energy efficiency:

- New energy efficient gas-fired boilers have been installed across several sites, including, Sheffield – PDIC, Nottingham – Peveril Road, and South Cave Dental Practice, plus two new boilers at Newcastle – Cosmetic Dental. This is estimated to reduce site specific natural gas emissions by 10% to 15% at these practices;
- 100% of purchased electricity for the Group continues to come from renewable sources;
- The inclusion of energy-efficient and LED lighting in general practice refurbishments and new surgery fit-outs. Each unit installed is estimated to reduce energy consumption by between 60%-80%.
- Videoconferencing and video-telephony continues to increase, reducing unnecessary business travel.

Portman Healthcare (Group) Limited

Directors' Report (continued)

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 and to acknowledge 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 employees.

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-focused 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.

Directors

The Directors, who served throughout the year and subsequently except as noted, were as follows:

Dr Mark Hamburger	(resigned 15 December 2022)
Darren Milne	
Sam Waley-Cohen	
Julie Ross	
Andrew Sloan	(resigned 30 November 2022)
Karl De Bruijn	(appointed 6 June 2022)
Ben Hanning	(appointed 30 November 2022)
Robert Andrew Michael Davidson	(appointed 1 December 2022)
Michael David Killick	(appointed on 16 December 2022)

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 as well as other regulatory registrations required as part of their roles. Post year end, Dr Catherine Tannahill and Dr Michael Davidson have also been given qualifying third-party indemnities in relation to the NHS partnerships formed with vendors on completion of acquisitions and also for other appropriate regulatory registrations.

Matters covered in the Strategic Report

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

Portman Healthcare (Group) Limited

Directors' Report (continued)

Auditor

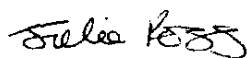
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director 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 s418 of the Companies Act 2006.

Deloitte LLP 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.

This report was approved by the Board of Directors on 20 February 2023 and signed on its behalf by:



Julie Ross

Managing Director UK & Ireland
Rosehill
New Barn Lane
Cheltenham
Gloucestershire
GL52 3LZ

Portman Healthcare (Group) Limited

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors 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 company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- 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 of the financial reporting framework 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 company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Portman Healthcare (Group) Limited

Independent auditor's report to the members of Portman Healthcare (Group) Limited

Opinion

In our opinion:

- the financial statements of Portman Healthcare (Group) Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent cash flow statement; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included an assessment of the entity's:

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Portman Healthcare (Group) Limited

Independent auditor's report to the members of Portman Healthcare (Group) Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, including those outside of finance and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, UK tax legislation, UK employment legislation, UK GDPR and UK dentistry regulation requirements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Health and safety legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address it are described below:

- The valuation of intangible asset additions. We identified that there may be an incentive for management to manipulate the value of intangible asset additions to potentially reduce the risk of future impairments and impact future amortisation charges in the Income Statement. As further described in the notes to the financial statements, the group acquired a number of dental practices during the year. Management valued the identifiable intangible assets of the practices acquired at acquisition. Valuation of intangible assets is an inherently technical area of accounting that requires specialist knowledge, complex models and requires management to make key judgement in respect of future growth rates, profitability of practices acquired and discount rates. This increases the risk of material misstatement.

Portman Healthcare (Group) Limited

Independent auditor's report to the members of Portman Healthcare (Group) Limited (continued)

We performed a number of specific procedures to address this risk which included:

- inquiry with management to understand the composition of the balance;
- review of the reasonableness of the valuation models used by management, as well as appropriate application of the models used;
- assessing the reasonableness of the future growth rate and profitability assumptions used in the models;
- assessing the reasonableness of the discount rates used to discount the future cash flows; and
- testing the design and implementation of the key control associated to this risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Other matter

As the company was exempt from audit under section 479A of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Halls FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

20 February 2023

Portman Healthcare (Group) Limited

Group Statement of Profit and Loss
For the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
Revenue	3	249,585	200,996
Cost of sales	5	(134,679)	(108,134)
Gross profit		<u>114,906</u>	<u>92,862</u>
Other operating income	4	3,890	3,374
Administrative expenses	5	(120,335)	(91,804)
Impairment of intangible assets		-	-
Operating (loss)/profit		<u>(1,539)</u>	<u>4,432</u>
Finance income	8	641	12
Finance expense	9	(49,613)	(32,491)
Net finance costs		<u>(48,972)</u>	<u>(32,479)</u>
Loss before taxation		<u>(50,511)</u>	<u>(28,047)</u>
Tax charge	10	(1,232)	(5,546)
Loss for the period		<u>(51,743)</u>	<u>(33,593)</u>

The notes on pages 25 to 61 form part of these financial statements.

All results are derived from continuing operations.

Portman Healthcare (Group) Limited

Group Statement of Comprehensive Income

For the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
Loss for the period		(51,743)	(33,593)
Other comprehensive income/(expense) not reclassified subsequently to profit or loss			
Fair value gain arising on hedging instruments during the period	25	26,703	3,680
Deferred tax on fair value gain arising on hedging instruments during the period		(232)	(643)
Other comprehensive income for the period, net of tax		26,471	3,037
Total comprehensive expense for the period		(25,272)	(30,556)

The notes on pages 25 to 61 form part of these financial statements.

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

Portman Healthcare (Group) Limited

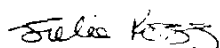
Group Statement of Financial Position

As at 30 September 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Intangible assets	12	525,704	443,617
Property, plant and equipment	13	44,905	28,297
Trade and other receivables	17	11,070	2,320
Derivative asset	20	24,976	-
Right of use assets	14	51,953	41,389
		<u>658,608</u>	<u>515,623</u>
Current assets			
Inventory	16	7,107	6,209
Trade and other receivables	17	24,930	14,642
Cash and cash equivalents		24,021	30,604
		<u>56,058</u>	<u>51,455</u>
Total assets		<u>714,666</u>	<u>567,078</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	44,559	36,452
Deferred contingent consideration	21	21,371	20,185
Provisions	22	5,605	1,726
Lease liability	14	4,137	3,106
Tax and social security liability		2,362	890
		<u>78,034</u>	<u>62,359</u>
Non-current liabilities			
Trade and other payables	18	169,050	149,292
Deferred tax liability	23	64,508	47,995
Loans and borrowings	19	373,241	271,718
Derivative liability	20	-	880
Deferred contingent consideration	21	24,144	19,628
Lease liability	14	51,722	41,217
		<u>682,665</u>	<u>530,730</u>
Total liabilities		<u>760,699</u>	<u>593,089</u>
Net liabilities		<u>(46,033)</u>	<u>(26,011)</u>
EQUITY			
Share capital	24	68,523	63,273
Hedging reserve		25,780	(691)
Retained deficit		(140,336)	(88,593)
		<u>(46,033)</u>	<u>(26,011)</u>

The notes on pages 25 to 61 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 20 February 2023 and were signed on its behalf by:



Julie Ross
Director

Portman Healthcare (Group) Limited

Company Statement of Financial Position

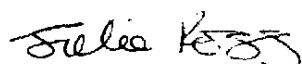
As at 30 September 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments	15	281,436	281,436
Property, plant and equipment	13	350	310
Trade and other receivables	17	243,071	144,714
Deferred tax asset	23	-	231
Derivative asset	20	24,976	-
		<u>549,833</u>	<u>426,691</u>
Current assets			
Trade and other receivables	17	216	284
Cash and cash equivalents		237	751
		<u>453</u>	<u>1,035</u>
Total assets		<u>550,286</u>	<u>427,726</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	1,591	788
		<u>1,591</u>	<u>788</u>
Non-current liabilities			
Trade and other payables	18	169,050	149,292
Deferred tax liability	23	-	-
Loans and borrowings	19	373,241	271,718
Derivative liability	20	-	880
		<u>542,291</u>	<u>421,890</u>
Total liabilities		<u>543,882</u>	<u>422,678</u>
Net assets		<u>6,404</u>	<u>5,048</u>
EQUITY			
Share capital	24	68,523	63,273
Hedging reserve		25,780	(691)
Retained deficit		(87,899)	(57,534)
		<u>6,404</u>	<u>5,048</u>

Total equity is wholly attributable to equity holders of Portman Healthcare (Group) Limited. The loss of Portman Healthcare (Group) Limited in 2022 was £30,365k (2021: loss £26,733k).

The notes on pages 25 to 61 form part of these financial statements.

The financial statements of Portman Healthcare (Group) Limited were approved and authorised for issue by the Board of Directors on 20 February 2023 and were signed on its behalf by:



Julie Ross
Director

Portman Healthcare (Group) Limited

Group Statement of Changes in Equity
For the year ended 30 September 2022

	Note	Called-up share capital £'000	Hedging Reserve £'000	Retained Deficit £'000	Total £'000
At 1 October 2020		54,523	(3,728)	(55,000)	(4,205)
Capital contribution		8,750	-	-	8,750
Loss for the period		-	-	(33,593)	(33,593)
Other comprehensive income – cash flow hedge		-	3,680	-	3,680
Deferred tax on cash flow hedge		-	(643)	-	(643)
Total comprehensive income/(expense) for the period		-	3,037	(33,593)	(30,556)
At 30 September 2021	24	63,273	(691)	(88,593)	(26,011)
Capital contribution		5,250	-	-	5,250
Loss for the period		-	-	(51,743)	(51,743)
Other comprehensive income – cash flow hedge		-	26,703	-	26,703
Deferred tax on cash flow hedge		-	(232)	-	(232)
Total comprehensive income/(expense) for the period		-	26,471	(51,743)	(25,272)
At 30 September 2022	24	68,523	25,780	(140,336)	(46,033)

The notes on pages 25 to 61 form part of these financial statements.

Portman Healthcare (Group) Limited

Company Statement of Changes in Equity

For the year ended 30 September 2022

	Note	Called -up share capital £'000	Hedging Reserve £'000	Retained Deficit £'000	Total £'000
At 1 October 2020		54,523	(3,728)	(30,801)	19,994
Capital contribution		8,750	-	-	8,750
Loss for the period		-	-	(26,733)	(26,733)
Other comprehensive income – cash flow hedge		-	3,680	-	3,680
Deferred tax on cash flow hedge		-	(643)	-	(643)
Total comprehensive income/(expense) for the period		-	3,037	(26,733)	(23,696)
At 30 September 2021	24	63,273	(691)	(57,534)	5,048
Capital contribution		5,250	-	-	5,250
Loss for the period		-	-	(30,365)	(30,365)
Other comprehensive income – cash flow hedge		-	26,703	-	26,703
Deferred tax on cash flow hedge		-	(232)	-	(232)
Total comprehensive income/(expense) for the period		-	26,471	(30,365)	(3,894)
At 30 September 2022	24	68,523	25,780	(87,899)	6,404

The notes on pages 25 to 61 form part of these financial statements.

Portman Healthcare (Group) Limited

Group Statement of Cash Flows

For the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Operating (loss)/profit for the period		(1,539)	4,432
Adjustments for:			
Depreciation	13	10,788	8,247
Amortisation	12	14,554	12,507
Write off of deferred contingent consideration	4,21	(2,962)	(1,468)
Loss on disposal of dental practices		33	-
Loss on disposal of property, plant and equipment		-	107
Changes in:			
Inventory		(221)	(306)
Trade and other receivables		(6,023)	(2,230)
Trade and other payables		1,327	4,612
Provisions		3,879	616
Cash generated from operating activities		19,836	26,517
Income taxes credited		24	400
Net cash from operating activities		19,860	26,917
Cash flows from investing activities			
Acquisition of subsidiaries		(41,803)	(26,066)
Acquisition of dental practices		(33,524)	(15,040)
Acquisition of property, plant and equipment		(14,216)	(7,963)
Net cash used in investing activities		(89,543)	(49,069)
Cash flows from financing activities			
Proceeds from borrowings - external		91,506	15,500
Proceeds from borrowings - parent and other group companies		2,898	16,250
Deferred contingent consideration payments	21	(10,614)	(4,699)
Interest paid		(21,447)	(17,989)
Proceeds from issue of share capital		5,250	8,750
Repayment of lease liabilities - principal		(3,392)	(2,756)
Repayment of lease liabilities - interest		(2,756)	(2,278)
Payment of debt issue costs		-	(1,260)
Payment of utilisation fee		(1,900)	-
Net cash from financing activities		59,545	11,518
Net decrease in cash and cash equivalents		(10,138)	(10,634)
Cash and cash equivalents at the start of the period		30,604	37,809
Cash acquired on acquisitions	26	3,555	3,429
Cash and cash equivalents at the end of the period		24,021	30,604
Cash and cash equivalents comprise:			
		2022 £'000	2021 £'000
Cash at bank		24,021	30,604

The notes on pages 25 to 61 form part of these financial statements.

Portman Healthcare (Group) Limited

Notes to the Group financial statements

For the year ended 30 September 2022

1. Significant accounting policies

a) Reporting entity

Portman Healthcare (Group) Limited (the "Company") is a private company limited by shares incorporated and domiciled in England and Wales, the United Kingdom. Its registered address is Rosehill, New Barn Lane, Cheltenham, Gloucestershire, GL52 3LZ.

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 Portman Healthcare (Group) (the "Group"), comprising the Company and its subsidiaries, which are listed in full in note 15.

b) Statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom ("IFRS").

The parent company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

c) Functional and presentational currency

These financial statements are presented in Sterling (£), which is the Group's functional and presentational currency. 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 25) and are in accordance with the Companies Act 2006. In preparing these financial statements the accounting requirements of IFRS have been adhered to.

The parent company financial statements have taken advantage of Section 408 (4) of the Companies Act 2006 and consequently an income statement for the parent company is not presented. Furthermore, the parent company has used the exemptions conferred by FRS 101 to not include a statement of cash flows.

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 2022. The accounting policies adopted in the presentation of these financial statements reflect the adoption of the following new standards, amendments to standards and interpretations:

- Interest Rate Benchmark Reform Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: effective for periods beginning on or after 1 January 2021 (see note 25);
- Covid-19-Related Rent Concessions beyond 30 June 2021 – amendment to IFRS 16: effective for periods beginning on or after 1 April 2021

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

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continued)

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 2022 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 2022 which will be applied for the year ending 30 September 2023:

- Property, Plant and Equipment – Proceeds before intended use (amendments to IAS 16): effective for periods beginning on or after 1 January 2022;
- Reference to the Conceptual Framework (amendments to IFRS 3): effective for periods beginning on or after 1 January 2022;
- Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37): effective for periods beginning on or after 1 January 2022.

h) Investments

Investments are included in the Company's Statement of Financial Position at cost less amounts written-off, representing impairment in value. Impairment charges are recorded if events or changes in circumstances indicate that the carrying value may not be recoverable.

i) Going concern

The Group meets its day-to-day working capital requirements through cash held at bank and use of its revolving credit facility. The current economic conditions create uncertainty, particularly over consumer spending, however the Group's trading throughout FY22 period has shown resilience to such an impact, with continued growth in patient numbers and, therefore, revenue.

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. Details of the lending facilities are given in note 19. Portman Healthcare (Group) Limited provides funding to the Group; during FY22, Portman Healthcare (Group) Limited obtained a further extension of their existing credit facility and they have met all debt provider covenant tests up to the date of signing these financial statements and are confident this position will remain for the foreseeable future.

The 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.

The Group has reported an operating loss of £1.5m in FY22 (FY21: operating profit £4.4m). The operating loss in FY22 was caused by an increase in administrative expenditure due to significant one-off consultancy costs, and an increase in acquisition costs. Due to the one-off nature of these costs, management do not consider these to pose a risk to the going concern assessment.

Management have produced forecasts for different scenarios, such as, base case, base case 'acquisitions off', 'reasonable downturn' and reverse stress test, following the principles of how the business is now operating. Management 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 performed a reverse stress test which demonstrated revenue would need to fall by greater than 20% to lead to a breach of the covenant test and result in a negative cash balance. Management's view is that the likelihood of the Group not being a going concern is remote based on the reverse stress test forecast.

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

j) 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 chief operating decision-maker has been identified as the Board of Directors. The Board of Directors 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 revenue and gross margin.

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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continue)

k) 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
Dental equipment	10% to 33% per annum
Computer and office equipment	20% 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.

l) 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.

m) Intangible assets - Goodwill

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

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

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

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

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

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

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

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

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

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continued)

n) Intangible assets – separately identifiable

Practice names acquired as part of a business combination are measured at fair value at the acquisition date. Practice names are amortised in equal annual instalments over a period of 25 years which is their estimated useful economic life. Provision is made for any impairment.

Customer relationships reflect long-term, fixed income, contracts with the NHS for the delivery of dentistry services, scheme income contracts or patient lists. NHS 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. Other customer contracts are amortised over 25 years. Provision is made for any impairment.

o) 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.

p) 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.

q) 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 Company's financial statements in the period 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.

r) 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.

s) Borrowings

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

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

t) 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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continued)

u) 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 held at amortised cost. 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 measured subsequently at amortised cost

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

Derecognition of financial liabilities

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

Financial assets at FVTPL

Financial assets 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.

Financial assets at FVOCI

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

v) 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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continued)

v) Current and deferred income tax (continued)

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.

w) 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.

x) Financial risk management

Financial risk management is discussed in note 25.

y) Revenue

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

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

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

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

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

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 over time based upon the contracted volume of dental activity delivered in the financial year. Amounts received from the NHS in advance of such dental activity delivered are held on the Statement of Financial Position as contract liabilities within provisions. More information on this is provided in note 22. Management has concluded this is a faithful depiction of the delivery of the service under the NHS contracts.
- Revenue from NHS patients in Scotland and Northern Ireland is recognised based on completion of each piece of treatment carried out. Amounts due from the NHS for activity delivered but not yet received are held on the Statement of Financial Position as contract assets within accrued income. Management has concluded this is a faithful depiction of the delivery of the service under the NHS contracts.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continued)

y) Revenue (continued)

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

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.

z) 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.

aa) Leases

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

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

1. Significant accounting policies (continued)

aa) Leases (continued)

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.

ab) 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).

ac) Security

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

ad) Government grants

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

ae) 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 £16.5m. 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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

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 Directors 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.

Critical judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below) that the Directors 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.

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.

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 0.25% higher, the valuation of the deferred contingent consideration would have decreased by £0.2m. Had the discount rates been 0.25% lower, the valuation of the deferred contingent consideration would have increased by £0.2m.

If the estimated payments change by +/- 0.25%, the valuation of the deferred contingent consideration would have been +/- £0.1m. The carrying value of deferred contingent consideration at year end is £45,515,000 (2021: £39,813,000)

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

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

	2022	2021
	£'000	£'000
Private revenue	170,574	135,952
Scheme revenue	47,560	27,601
NHS revenue	31,451	37,443
	249,585	200,996

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

Timing of revenue recognition

	2022	2021
	£'000	£'000
Goods and services transferred at a point in time	170,574	135,952
Services transferred over time	79,011	65,044
	249,585	200,996

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

	2022	2021
	£'000	£'000
Contract assets		
Brought forward as at 1 October	3,601	3,234
Additions recognised in the profit and loss	3,393	2,985
Settled in year	(3,738)	(2,618)
Carried forward as at 30 September	3,256	3,601
Contract liabilities		
Brought forward as at 1 October	2,045	1,445
Consideration received in advance of service	6,018	2,477
Settled in year	(2,458)	(1,877)
Carried forward as at 30 September	5,605	2,045

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

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 and relate to NHS contracts. 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.

Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £2,045,000. 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

	2022 £'000	2021 £'000
Deferred contingent consideration written off	2,962	1,468
Government grants received	689	1,890
Other income	239	16
	3,890	3,374

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

Government grants received consist of PPE stock provided free of charge by the UK government and, in the prior year only, furlough payments received from the UK government to compensate for the salary and related costs of employees who were unable to work during the Covid-19 pandemic.

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

5. Operating profit/(loss) before taxation

Loss on activities before taxation is stated after charging:

	2022	2021
	£'000	£'000
Materials	12,654	10,300
Laboratory costs	15,517	13,106
Associate and hygienist fees	100,108	78,778
Other cost of sales	6,400	5,950
Total cost of sales	<u>134,679</u>	<u>108,134</u>
Colleague costs (note 6)	64,167	49,352
Property costs	3,755	3,094
Repair and maintenance	2,871	2,622
Administration costs	14,697	10,406
Legal and professional	9,503	5,452
Loss on disposal of property, plant and equipment	-	124
Depreciation of property, plant and equipment	12 6,423	4,694
Depreciation of leased assets	13 4,365	3,553
Amortisation of goodwill and intangibles	11 14,554	12,507
Total administrative expenses	<u>120,335</u>	<u>91,804</u>
Total costs	<u>255,014</u>	<u>199,938</u>

The analysis of auditor's remuneration is as follows:

	2022	2021
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	651	-
Fees payable to the Company's auditor for the audit of the subsidiaries financial statements	-	255
Total audit fees	<u>651</u>	<u>255</u>
Non-audit advisory fee	-	-
Taxation compliance services	8	-
Taxation advisory services	38	52
Total non-audit fees	<u>46</u>	<u>52</u>
	<u>697</u>	<u>307</u>

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

6. Colleague costs

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

	2022 No	2021 No
Practice colleagues	2,111	1,779
Administration	249	192
	2,360	1,971

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	57,924	44,674
Social security costs	5,245	3,656
Defined contribution pension costs	998	774
	64,167	49,104

There were accrued pension contributions at 30 September 2022 of £438,000 (2021: £167,000).

The Parent company had two employees during the year (2021: 2). The company also incurred wages and salaries of £711,000 (2021: £533,000), Social security costs £98,000 (2021: £71,000) and defined contribution pension costs £3,000 (2021: £3,000).

7. Directors' remuneration

The remuneration costs of the Group's Directors were:

	2022 £'000	2021 £'000
Emoluments	1,760	1,530
Company contributions to money purchase pension schemes	9	9
	1,769	1,539

	2022 No.	2021 No.
The number of Directors who are members of a money purchase pension scheme	7	7

The remuneration of the highest paid Director was:

	2022 £'000	2021 £'000
Emoluments	355	283
Pensions	1	1
	356	284

The amounts disclosed above represent the remuneration for the qualifying services of the Directors of the Group. Payments to Directors relating to their work as a dental practitioner are disclosed in note 27.

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 Director (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 Directors.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

8. Finance income

	2022	2021
	£'000	£'000
Interest on loan to Group undertaking (note 17)	384	-
Realised foreign exchange gains	256	-
Other	1	12
	641	12

9. Finance expense

	2022	2021
	£'000	£'000
Bank loans and overdrafts	22,230	15,700
Interest on swaps	477	1,364
Interest on loans due to parent company (note 18)	9,931	8,814
Amortisation of transaction costs	10,017	1,884
Unwinding of discount on deferred contingent consideration	1,828	1,513
Interest on lease liabilities	2,756	2,278
Non-utilisation fee	2,374	894
Realised foreign exchange losses	-	44
	49,613	32,491

10. Tax on loss on activities

	2022	2021
	£'000	£'000
Current tax on loss		
UK corporation tax	-	-
Adjustments in respect of prior periods	(155)	18
Total current tax (credit)/charge	(155)	18
Deferred tax		
Current year (credit)/charge	(2,304)	5,301
Adjustments in respect of prior periods	3,691	227
Total deferred tax charge	1,387	5,528
Total tax charge on loss	1,232	5,546

The standard rate of corporation tax applied to the year ended 30 September 2022 is 19% (2021: 19%). The UK rate of corporation tax will increase to 25% from 1 April 2023.

The adjustment in respect of prior periods is made up of a true up to the calculation of losses (£0.75m) and the disallowance of interest (£2.75m).

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

10. Tax on loss on activities (continued)

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

	2022 £'000	2021 £'000
Loss before tax	<u>(50,511)</u>	<u>(28,047)</u>
	2022 £'000	2021 £'000
Tax on Group loss on ordinary activities at standard UK corporation tax rate of 19%	(9,597)	(5,329)
Effects of:		
Adjustments in respect of prior periods	3,536	245
Expenses not deductible for tax purposes	8,691	(501)
Super deduction	(495)	-
Effect of changes in tax rate	(903)	11,131
Total tax charge for year	<u>1,232</u>	<u>5,546</u>

11. Parent company results

The Company has taken advantage of Section 408(4) of the Companies Act 2006 and consequently a Statement of Profit and Loss for the Company is not presented.

The Company's loss for the year ended 30 September 2022 was £30,365k (2021: loss £26,733k).

12. Intangible fixed assets and goodwill

Group	Portman and practice names £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2020	199,498	33,715	186,778	419,991
Additions	24,046	6,189	25,737	55,972
At 30 September 2021	223,544	39,904	212,515	475,963
Additions	45,214	12,321	39,145	96,680
Disposals	(113)	-	(93)	(206)
At 30 September 2022	<u>268,645</u>	<u>52,225</u>	<u>251,567</u>	<u>572,437</u>
Amortisation				
At 1 October 2020	(15,107)	(4,732)	-	(19,839)
Charge for the period	(8,629)	(3,878)	-	(12,507)
At 30 September 2021	(23,736)	(8,610)	-	(32,346)
Charge for the year	(9,390)	(5,011)	-	(14,401)
Eliminated on disposals	14	-	-	14
At 30 September 2022	<u>(33,112)</u>	<u>(13,621)</u>	<u>-</u>	<u>(46,733)</u>
Net book value				
At 30 September 2022	<u>235,533</u>	<u>38,604</u>	<u>251,567</u>	<u>525,704</u>
At 30 September 2021	199,808	31,294	212,515	443,617
At 1 October 2020	184,391	28,983	186,778	400,152

The recoverable amount of goodwill has been tested for impairment.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

12. Intangible fixed assets and goodwill (continued)

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

The £96.7m total additions include the amounts disclosed in note 23 for goodwill and other intangibles.

Goodwill

The Group completes an impairment review of goodwill annually. In accordance with IAS 36 Impairment of assets ("IAS 36") the Group has determined that goodwill continues to be aggregated at the level of a single UK cash-generating unit (the "CGU") 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 carrying value in the assessment of the recoverable amount. The key assumptions underpinning the recoverable amounts of the CGU tested for impairment are forecast revenue.

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 10.76% and a long-term growth rate based on past performance of 3%.

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

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

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

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

A change of +/- 0.25% in the WACC used in the current period calculation would change the calculated value in use by approximately +/- £18m. A reduction of £18m in this valuation would not result in an impairment charge.

Company

The company does not own any intangible assets (2021: nil).

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

13. Property, plant and equipment

Group

	Leasehold improvements	Dental equipment	Computer and office equipment	Total assets
	£'000	£'000	£'000	£'000
Cost				
At 30 September 2020	8,480	15,009	5,287	28,776
Additions	3,011	5,296	2,354	10,661
Disposals	(54)	(49)	(56)	(159)
At 30 September 2021	11,437	20,256	7,585	39,278
Additions	5,704	4,616	4,596	14,916
Additions from business combinations	3,662	4,132	376	8,170
Disposals	(8)	(98)	(9)	(115)
At 30 September 2022	20,795	28,906	12,548	62,249
Depreciation				
At 30 September 2020	(1,027)	(3,456)	(1,889)	(6,372)
Charge for the period	(1,055)	(2,068)	(1,571)	(4,694)
Eliminated on disposals	25	10	50	85
At 30 September 2021	(2,057)	(5,514)	(3,410)	(10,981)
Charge for the period	(1,445)	(2,733)	(2,245)	(6,423)
Eliminated on disposals	3	48	9	60
At 30 September 2022	(3,499)	(8,199)	(5,646)	(17,344)
Net book value				
At 30 September 2022	17,296	20,707	6,902	44,905
At 30 September 2021	9,380	14,742	4,175	28,297
At 30 September 2020	7,453	11,553	3,398	22,404

Company

The Company owns plant and machinery with a net book value of £350,000 (2021: £310,000), Cost £679,000 (2021: £451,000) and accumulated depreciation £329,000 (2021: £141,000). Additions in the year were £228,000 (2021: £191,000). Depreciation charged in the Company's Profit and Loss was £188,000 (2021: £122,000). There were no disposals in either year.

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

14. Leases**Group****Amounts recognised in the balance sheet**

	2022 £'000	2021 £'000
Right of use assets		
Total right of use asset at end of the financial period	<u>51,953</u>	<u>41,389</u>
	2022 £'000	2021 £'000
Lease liabilities		
Buildings – amounts falling due within one year	4,137	3,106
Buildings – amounts falling due after one year	<u>51,722</u>	<u>41,217</u>
Total lease liabilities at end of the financial period	<u>55,859</u>	<u>44,323</u>

Additions to right of use assets were £14,835k during 2022 and £10,042k during 2021. Disposals of right of use assets were £43k during 2022 and £1,706k in 2021.

Amounts recognised in the Statement of Profit or Loss

	2022 £'000	2021 £'000
Depreciation charge – Right of use assets		
Buildings	4,365	3,553
Interest expense (included in finance costs)	<u>2,756</u>	<u>2,278</u>
Total charge to Income Statement	<u>7,121</u>	<u>5,831</u>

Maturity Analysis of Lease liability

	2022 £'000	2021 £'000
Maturity analysis:		
Within one year	7,371	5,536
One to five years	28,884	21,779
After five years	40,895	32,578
Less: interest	<u>(21,291)</u>	<u>(15,570)</u>
Discounted lease liability	<u>55,859</u>	<u>44,323</u>

The total cash outflow for leases in 2022 was £6,148k (2021: £5,034k).

The Company leases buildings that are used as dental practices.

Company

The Company does not have any right of use assets (2021: nil).

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

15. Investments

Company

Investment in subsidiary undertakings

	2022	2021
	£'000	£'000
Cost and net book value		
At 1 October	281,436	197,370
Additions	-	101,459
Disposals	-	(17,393)
At 30 September	281,436	281,436

Principal investments

The Company's subsidiaries are listed below:

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

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Portman Healthcare (Holdings) Limited (09114888)*	United Kingdom	Holding company	Ordinary shares	100
Portman Healthcare (Finance) Limited (09114886)*	United Kingdom	Holding company	Ordinary shares	100
Portman Healthcare Limited (06740579)*	United Kingdom	Dental Practice	Ordinary shares	100
Gloucester House Dental Practice Limited (05952323)*	United Kingdom	Dental Practice	Ordinary shares	100
Orthostyle Limited (05936588)*	United Kingdom	Dental Practice	Ordinary shares	100
Haynes Dental Limited (06086620)*	United Kingdom	Dental Practice	Ordinary shares	100
Ferndale Dental Clinic Limited (06527803)*	United Kingdom	Dental Practice	Ordinary shares	100
Ward Dental Limited (06192528)*	United Kingdom	Dental Practice	Ordinary shares	100
Thomson Dental Limited (06175109)*	United Kingdom	Dental Practice	Ordinary shares	100
Madeley Practice Limited (08986606)*	United Kingdom	Dental Practice	Ordinary shares	100
Beaufort Dental Health Centre Limited (06543361)*	United Kingdom	Dental Practice	Ordinary shares	100
Dr Paul Baker Limited (07088851)*	United Kingdom	Dental Practice	Ordinary shares	100
Kirkgate Dental Surgery (Newark) Limited (11397193)*	United Kingdom	Dental Practice	Ordinary shares	100
Ali Parvizi Limited (07340321)*	United Kingdom	Dormant	Ordinary shares	100
James Invest Limited (07307982)*	United Kingdom	Dormant	Ordinary shares	100
Stuart Jacobs Limited (07399892)*	United Kingdom	Dormant	Ordinary shares	100
Colin Bunce Ltd (07195927)*	United Kingdom	Dental Practice	Ordinary shares	100
Dental Dimensions Ltd (05960472)*	United Kingdom	Dental Practice	Ordinary shares	100
Joubert Limited (06272770)*	United Kingdom	Dental Practice	Ordinary shares	100
Dart Vale Dental Care Ltd (06718048)*	United Kingdom	Dental Practice	Ordinary shares	100
Pure Dental Care Ltd (06036365)*	United Kingdom	Dental Practice	Ordinary shares	100
Moor Dental Care Ltd (06978436)*	United Kingdom	Dental Practice	Ordinary shares	100
Fresh Dental Health Care Ltd (7208138)*	United Kingdom	Dental Practice	Ordinary shares	100

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

15. Investments (continued)**Principal investments (continued)**Registered address: The Port, Rosehill, New Barn Lane, Cheltenham, Gloucestershire, GL52 3LZ, England

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Optimum Orthodontics Ltd (10683303)*	United Kingdom	Dental Practice	Ordinary shares	100
Cloudshill Ltd (07288537)*	United Kingdom	Dental Practice	Ordinary shares	100
Hob Hey Dental Centre Limited (08322205)*	United Kingdom	Dental Practice	Ordinary shares	100
Dr Jonathan Lack Limited (07088942)*	United Kingdom	Dental Practice	Ordinary shares	100
TDSML Limited (08503648)*	United Kingdom	Dental Practice	Ordinary shares	100
Country Dental Limited (09227224)*	United Kingdom	Dental Practice	Ordinary shares	100
Upton Dental Surgery Limited (08787702)*	United Kingdom	Dental Practice	Ordinary shares	100
Plymouth Orthodontics Limited (06517447)*	United Kingdom	Dental Practice	Ordinary shares	100
Fleet Copse Dental Limited (11410346)*	United Kingdom	Dental Practice	Ordinary shares	100
The Whyte House Limited (07107403)*	United Kingdom	Dental Practice	Ordinary shares	100
Donovan's Dental Practice Limited (07339261)*	United Kingdom	Dental Practice	Ordinary shares	100
The Cosmetic Dental Clinic Limited (05932170)*	United Kingdom	Dental Practice	Ordinary shares	100
The Cosmetic Dental Clinic (Durham) Limited (10876333)*	United Kingdom	Dental Practice	Ordinary shares	100
PCORTHO Limited (07021503)*	United Kingdom	Dental Practice	Ordinary shares	100
Whitehall Dental Care Limited (10330934)*	United Kingdom	Dental Practice	Ordinary shares	100
Ocean Dental Limited (06432784)*	United Kingdom	Dental Practice	Ordinary shares	100
The Liverpool Brace Place Limited (08857492)*	United Kingdom	Dental Practice	Ordinary shares	100
The Dental Academy Limited (06486968)*	United Kingdom	Dental Practice	Ordinary shares	100
The Liverpool Aesthetics Company Limited (10848019)*	United Kingdom	Dental Practice	Ordinary shares	100
Ash Smile Design Limited (07263329)*	United Kingdom	Dental Practice	Ordinary shares	100
BIP Dental Limited (11358924)*	United Kingdom	Dental Practice	Ordinary shares	100
Only Orthodontics (Huddersfield) Limited (12326841)*	United Kingdom	Dental Practice	Ordinary shares	100
Neo Orthodontics Limited (10698104)*	United Kingdom	Dental Practice	Ordinary shares	100
Holden Fisher Limited (06409163)*	United Kingdom	Dental Practice	Ordinary shares	100
The Square ADC Limited (07365157)*	United Kingdom	Dental Practice	Ordinary shares	100
Seven Fields Dental Health Centre Limited (6540070)*	United Kingdom	Dental Practice	Ordinary shares	100
Graylor Limited (10334936)*	United Kingdom	Dental Practice	Ordinary shares	100
The Oakwood Dental Centre Limited (7231198)*	United Kingdom	Dental Practice	Ordinary shares	100

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

15. Investments (continued)**Principal investments (continued)**Registered address: 12 Hope Street, Edinburgh, EH2 4DB, Scotland

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
Edinburgh Orthodontics Ltd (SC375327)*	United Kingdom	Dental Practice	Ordinary shares	100
G3 Management Services Limited (SC318640)*	United Kingdom	Dental Practice	Ordinary shares	100
Scottish Centre for Excellence in Dentistry Ltd (SC316426)*	United Kingdom	Dental Practice	Ordinary shares	100
Fraoch Northfield Ltd (SC395982)*	United Kingdom	Holding company	Ordinary shares	100
AA Dental Services (Scotland) Ltd (SC479238)*	United Kingdom	Dental Practice	Ordinary shares	100
DFB Dentistry Ltd (SC548624)*	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 (129651C)*	Isle of Man	Dental Practice	Ordinary shares	100

Registered address: C/O Pinsent Masons LLP Soloist Building, 1 Lanyon Place, Belfast, Northern Ireland, BT1 3LP

Subsidiary undertaking	Country of Incorporation	Principal activity	Holding	%
TJM (Northern Ireland) Limited (NI068610)*	United Kingdom	Dental Practice	Ordinary shares	100

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

Portman Healthcare Group Limited directly owns Portman Healthcare Limited and Portman Healthcare (Holdings) Limited. The other subsidiaries are wholly owned indirect subsidiaries.

16. Inventory**Group**

	2022 £'000	2021 £'000
Raw materials and consumables	7,107	6,209

In the opinion of the Directors, there is no material difference between the Statement of Financial Position value of inventory and their replacement cost. £12,654k (2021: £10,300k) was expensed to the profit and loss account during the year.

Company

The company does not own any inventory (2021: nil).

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

17. Trade and other receivables

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	3,428	-	2,033	-
Contract assets	3,256	-	3,601	-
Other debtors	9,656	13	5,772	-
Prepayments and accrued income	8,590	203	3,236	284
	<u>24,930</u>	<u>216</u>	<u>14,642</u>	<u>284</u>
Amounts falling due after one year:				
Amounts receivable from Group undertakings	10,654	243,071	1,916	144,714
Other debtors	416	-	404	-
	<u>11,070</u>	<u>243,071</u>	<u>2,320</u>	<u>144,714</u>
	<u>36,000</u>	<u>243,287</u>	<u>16,962</u>	<u>144,998</u>

Amounts receivable from Group undertakings include:

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Portman Healthcare Holdings (Ireland) Ltd	8,242	-	996	-
Portman Healthcare (Property) Limited	2,412	-	920	-
Portman Healthcare Ltd	-	243,071	-	144,714
	<u>10,654</u>	<u>243,071</u>	<u>1,916</u>	<u>144,714</u>

Amounts receivable from Group undertakings represent loans to fund the operations of fellow Group companies. Interest is levied at 7.2%-10.1% and there are no set terms for when repayment is due. These loans are unsecured.

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

30 September 2022	Trade receivables – days past due		
	0-90	>90	Total
	£'000	£'000	£'000
Expected credit loss rate	3%-8%	34%	
Total gross carrying amount	2,113	2,110	4,223
Lifetime ECL	(84)	(711)	(795)
Total			<u>3,428</u>
30 September 2021	Trade receivables – days past due		
	0-90	>90	Total
	£'000	£'000	£'000
Expected credit loss rate	0%	50%	
Total gross carrying amount	1,366	1,334	2,700
Lifetime ECL	-	(667)	(667)
Total			<u>2,033</u>

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

17. Trade and other receivables (continued)

The carrying value of trade and other receivables is a reasonable approximation of the fair value of trade and other receivables. The Group measures the provision for impairment at an amount equal to lifetime expected credit losses (ECL), estimated with reference to past default experience as well as the debtor's current financial position. There has been no change in significant assumptions made during the current reporting period and the provision remains immaterial to the Group's trade receivables balances.

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

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

18. Trade and other payables

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade payables	16,740	11	14,973	141
Contract liabilities	-	-	319	-
Amounts payable to Group Undertakings	201	201	-	-
Other creditors	13,800	-	9,311	-
Accruals and deferred income	13,818	1,379	11,849	647
	<u>44,559</u>	<u>1,591</u>	<u>36,452</u>	<u>788</u>
Amounts falling due after one year:				
Amounts payable to Group undertakings	169,050	169,050	149,292	149,292
	<u>169,050</u>	<u>169,050</u>	<u>149,292</u>	<u>149,292</u>
	<u>213,609</u>	<u>170,641</u>	<u>185,744</u>	<u>150,080</u>

Amount payable to Group undertakings include:

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Menthe Investments S.à r.l.	169,050	169,050	149,242	149,242
Core Equity Holdings	201	201	-	-

The balance owed to Menthe Investments S.à r.l. has been classified as non-current. The repayment date per all of the loan agreements is 1 October 2035. Interest is levied at 6.35% (2021: 6.35%) in relation to of these loans. There loans are unsecured.

The balance owed to Core Equity Holdings represents accrued management fee. This balance is repayable within one year and is not subject to interest.

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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

19. Loans and borrowings

Group and Company

	2022 £'000	2021 £'000
Loans and borrowings	<u>373,241</u>	<u>271,718</u>
Amounts falling due within one year	-	-
Amounts falling due after one year	<u>373,241</u>	<u>271,718</u>
	<u>373,241</u>	<u>271,718</u>

Loans outstanding of £373.2m (2021: £271.7m) are stated after deducting £15.1m (2021: £8.3m) of costs associated with the raising of this finance which are being released to the Statement of Profit and Loss over the term of the debt, i.e. total debt at 30 September 2022 was £388.3m (2021: £280.0m).

All the above loans have a maturity greater than five years. Interest on these loans is charged at floating rate of SONIA plus CAS and a fixed rate of 3.5% to 7.16%.

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

20. Derivative assets and liabilities

Company and Group

	2022 £'000	2021 £'000
Notional principal amounts		
Interest rate swaps – GBP	<u>342,500</u>	<u>191,250</u>
Fair values of asset/(liability)		
Fair value of interest rate swaps in fair value hedge	<u>24,976</u>	<u>(880)</u>
Maturity profile of liability		
Amounts falling due within one year*	-	-
Amounts falling due after one year	<u>-</u>	<u>(880)</u>
	<u>-</u>	<u>(880)</u>

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

Had the interest rates been 100 basis points higher, the valuation of the Group's interest rate swap would have increased by £8.2m. Had the interest rates been 100 basis points lower, the valuation of the Group's interest rate swap would have decreased by £8.1m.

Notional Profile

	30/09/2023 £'000	30/09/2024 £'000	30/09/2025 £'000	More than 5 years £'000
Interest rate swaps GBP	342,500	342,500	342,500	-
IR average strike GBP	2.255%	2.255%	2.255%	-

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

21. Deferred contingent consideration

	£'000
Group	
At 1 October 2021	39,813
Utilised during the year	(10,614)
Acquisition of dental practices	17,450
Written off to profit and loss (included in other income)	(1,185)
Remeasurement (included in other income)	(1,777)
Unwinding of discount (included in finance expense)	1,828
At 30 September 2022	45,515

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

	2022 £'000	2021 £'000
Amounts falling due within one year	21,371	20,185
Amounts falling due after one year	24,144	19,628
	45,515	39,813

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 10.76% (2021: 6.1%) which is an unobservable interest rate.

The amounts written off to profit and loss are realised gains.

Company

The Company does not have a deferred contingent consideration liability (2021: Nil).

22. Provisions

Group

<i>Provision for under-performance of contracted activity for NHS contracts</i>	£'000
At 1 October 2021	1,726
Consideration received in advance of service	6,018
Utilised during the year	(2,139)
At 30 September 2022	5,605

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

	2022 £'000	2021 £'000
Amounts falling due within one year	5,605	1,726

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

The provision for under-performance of contracted activity for NHS performance is dependent on NHS activity in the periods 1 January 2022 to 31 March 2022 and 1 April 2022 to 30 September 2022. Any future NHS activity cannot be carried back in order to mitigate these underperformances as at the end of September 2022. The provision in relation to 1 January 2022 to 31 March 2022 has been repaid post year end and cash outflows for the remaining provision are likely to occur between June and September 2023.

Company

The Company does not have any provisions (2021: Nil).

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

23. Deferred tax

Group

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	-	-	6,367	5,792	12,159
Deferred tax liabilities	(2,518)	(57,636)	-	-	(60,154)
At 30 September 2021	(2,518)	(57,636)	6,367	5,792	(47,995)
Prior year adjustment	(161)	-	(911)	(2,941)	(3,691)
Change in tax rate	-	-	-	-	-
(Charge)/credit to profit and loss	(1,887)	2,762	1,429	-	2,304
Recognised in other comprehensive income	-	-	-	(232)	(232)
Acquired during the year	(567)	(14,327)	-	-	(14,894)
At 30 September 2022	(4,811)	(69,201)	6,885	2,619	(64,508)
Deferred tax assets	-	-	6,885	2,619	9,504
Deferred tax liabilities	(4,811)	(69,201)	-	-	(74,012)

Company

	Other £'000
Deferred tax assets	232
Deferred tax liabilities	-
At 30 September 2021	232
Recognised in other comprehensive income	(232)
At 30 September 2022	-
Deferred tax assets	-
Deferred tax liabilities	-

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

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

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

A deferred tax asset of £2,619k (2021: £5,572k) has been recognised on the restricted interest carried forward in this period. This is recognised against the deferred tax liabilities on the fair value adjustments on the basis that if these deferred tax liabilities were to crystallise, the deferred tax assets could be offset against the taxable profits arising.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

24. Authorised and Called-up share capital and reserves

	2022 £'000	2021 £'000
Ordinary 'A' shares of £0.05 each	68,523	63,273
	68,523	63,273

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.

25. Funding and financial risk management

Financial risk management

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

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

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

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

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

Market risk

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

Interest rate risk

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

Foreign exchange risk

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

Credit risk

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

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

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

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

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

25. Funding and financial risk management (continued)

Credit risk (continued)

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

30/09/2022	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Trade receivables	17	N/A	(i)	Lifetime ECL (simplified approach)	4,223	(795)	3,428
Contract assets	17	N/A	(i)	Lifetime ECL (simplified approach)	3,256	-	3,256
Amounts receivable from Group undertakings	17	N/A	(i)	Lifetime ECL (simplified approach)	10,654	-	10,654
						<u>(795)</u>	
30/09/2021	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Trade receivables	17	N/A	(i)	Lifetime ECL (simplified approach)	2,700	(667)	2,033
Contract assets	17	N/a	(i)	Lifetime ECL (simplified approach)	3,601	-	3,601
Amounts receivable from Group undertakings	17	N/A	(i)	Lifetime ECL (simplified approach)	1,916	-	1,916
						<u>(667)</u>	

- (i) For trade receivables, contract assets and amounts receivable from Group undertakings, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance as lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 17 includes further details on the loss allowance for these assets respectively.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

25. Funding and financial risk management (continued)

Liquidity risk

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

A maturity analysis of financial obligations is shown gross below:

	External loans	Owed to parent undertakings	Interest rate swap	Deferred contingent consideration
30/09/2022	£'000	£'000	£'000	£'000
Payable within one year	-	-	-	22,351
One to two years	-	-	-	12,634
Two to five years	-	-	-	18,860
After five years	581,088	261,961	-	-
30/09/2021	External loans	Owed to parent undertakings	Interest rate swap	Deferred Contingent Consideration
	£'000	£'000	£'000	£'000
Payable within one year	-	-	869	7,651
One to two years	-	-	81	12,764
Two to five years	352,757	-	(29)	19,793
After five years	-	253,359	-	2,761

Capital management

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

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

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

Fair value

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

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

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

	Fair value hierarchy	2022 £'000	2021 £'000
External loans	Level 2	388,300	280,000
Loan from parent entities	Level 2	169,050	149,292
Interest rate swap	Level 2	-	880
Deferred contingent consideration (notes 2,21)	Level 3	45,515	39,813

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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

25. Funding and financial risk management (continued)

Hedge accounting

The Group's activities expose it to financial risks resulting from fluctuations in interest rates. The Group has entered into derivative financial instruments (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 Group'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 Group 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 month GBP-SONIA-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-SONIA-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 Group 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.

Valuation approach

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

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

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

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

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

	2022	2021
	£'000	£'000
Initial value	(880)	(4,603)
Gain/(loss) recognised in Other Comprehensive Income	26,703	3,680
Hedge ineffectiveness	(847)	43
Fair value at the end of the financial year	24,976	(880)

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

25. Funding and financial risk management (continued)

Hedging instruments

	Interest rates		Nominal amount hedged		Undiscounted cash flows		Change in fair value	
	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	2.255	0.777	342,500	191,250	2,582	(869)	-	-
1-2 years	2.255	0.777	342,500	191,250	10,665	(81)	-	-
2-5 years	2.255	-	342,500	-	7,460	29	25,856	3,723
5+ years	-	-	-	-	-	-	-	-

Hedged items

	Nominal amount		Change in value		Hedging reserve continuing	
	2022	2021	2022	2021	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Variable rate borrowings	342,500	191,250	25,856	3,723	24,976	(880)

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		Line item in P&L	Reclassified to P&L		Line item in P&L
	2022	2021	2022	2021		2022	2021	
	£'000	£'000	£'000	£'000		£'000	£'000	
Variable rate borrowings	25,854	3,680	3	58	Loan interest and similar charges	(849)	(15)	Loan interest and similar charges

IBOR reform (Phase 2)

The Group has considered the impact of interest rate benchmark reform ("IBOR reform") on its loan accounting and hedge accounting. The Group has adopted the *Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 and IFRS 7* issued in August 2020 ("Phase 2 relief"). Adopting these amendments provides temporary relief from applying specific loan accounting and hedge accounting requirements for hedging relationships directly affected by IBOR reform.

For loan accounting, the reliefs have the effect that the Group can update its effective interest rate for the change to the new risk-free rate without recognising an immediate gain or loss. For hedge accounting, the reliefs have the effect that IBOR reform should not generally cause hedge accounting to cease and updates to hedge documentation relating to IBOR reform will not result in a de-designation event for existing hedge relationships. However, any hedge ineffectiveness should continue to be recorded in the income statement. Qualifying for the reliefs is contingent on the Group's transition, i.e. the new risk-free rate plus credit adjustment spread, being economically equivalent to the previous LIBOR basis.

On 5 March 2021, the UK's Financial Conduct Authority (FCA) formally announced the cessation of all GBP London Interbank Offered Rate (LIBOR) benchmark settings currently published by ICE Benchmark Administration (IBA) immediately after 31 December 2021. In response, during the current year, the Group has entered into agreements with its lenders to amend the benchmark rate referenced in the agreements from GBP LIBOR to GBP SONIA plus a credit adjustment spread to compensate for the basis differential between the two benchmarks. The loans were amended as of 23 December 2021 with a rate switch date to SONIA effective as of 31 January 2022.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

25. Funding and financial risk management (continued)

IBOR reform (Phase 2) (continued)

As part of the Group's IBOR reform programme, the derivative instruments (Interest rate swaps) hedging the GBP LIBOR interest rate risk were also amended to update the reference benchmark index from GBP LIBOR to SONIA plus an economically equivalent credit adjustment spread. The hedging instruments were amended as of 23 December 2021 with a rate switch date to SONIA effective as of 31 January 2022.

As the hedged item and hedging instrument were transitioned at the same time prior to the cessation of GBP Libor, the Group was not exposed to Interest rate basis risk. The transition was compliant with the Phase 2 Relief accounting guidance and therefore the Group was not exposed to Accounting risk on transition.

In accordance with the Phase 2 amendments to IFRS 9, the Group has adjusted the effective interest rate on its borrowings resulting in no immediate impact on profit or loss. The Group determined that the amendment to the derivative contracts resolved the uncertainty arising from the timing and cash flows arising from a change in interest rate benchmark and has therefore also updated its hedge documentation with no discontinuation of hedge accounting or immediate release from the cash flow hedge reserve.

Deferred contingent consideration

The movement in fair value of deferred consideration is disclosed in Note 21 above.

Financial assets and liabilities

	2022 £'000	2021 £'000
Financial assets		
Measured at amortised cost	30,509	13,726
Measured at fair value through other comprehensive income	24,976	-
	55,485	13,726
	2022 £'000	2021 £'000
Financial liabilities		
Measured at amortised cost	559,230	440,126
Measured at amortised cost (deferred consideration)	45,515	39,813
Measured at fair value through other comprehensive income	-	880
	579,771	480,819
Change in liabilities from financing activities		
	2022 £'000	2021 £'000
Liabilities relating to financing activities at start of period	480,819	432,229
Long-term loans	108,270	15,500
Financing cash flows	(16,497)	(1,260)
Other changes	7,446	34,350
	579,771	480,819

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

26. 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 16 companies which form 29 practices (2021: 12 companies forming 13 practices) for total consideration comprising £51,460,000 (2021: £32,720,834).

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

	£'000
Tangible assets	6,514
Stock	752
Trade and other debtors	2,249
Cash	3,555
Trade and other creditors	(5,511)
Other intangibles	28,950
Deferred tax	(7,162)
Total identifiable assets acquired and liabilities assumed	29,347
Goodwill	22,113
Total consideration	51,460
Satisfied by:	
Initial cash consideration	41,803
Deferred contingent consideration	9,657
Total consideration transferred	51,460

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

Subsidiary undertaking	Acquisition date
PCORTHO Limited	10 November 2021
Whitehall Dental Care Limited	30 November 2021
Ocean Dental Limited	25 February 2022
The Liverpool Brace Place Limited	28 February 2022
DFB Dentistry Limited	1 March 2022
The Dental Academy Limited	31 March 2022
Holden Fisher Limited	31 March 2022
Ash Smile Design Limited	6 May 2022
Only Orthodontics (Huddersfield) Limited	12 May 2022
BIP Dental Limited	20 May 2022
Neo Orthodontics Limited	21 June 2022
TJM (Northern Ireland) Limited	30 June 2022
The Square ADC Limited	29 July 2022
The Oakwood Dental Centre Limited	19 August 2022
Seven Fields Dental Health Centre Limited	6 September 2022
Graylor Limited	23 September 2022

All of the above are dental practices.

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

- PCORTHO Limited
- Whitehall Dental Care Limited
- Ocean Dental Limited
- The Liverpool Brace Place Limited
- BIP Dental Limited
- Neo Orthodontics Limited
- The Oakwood Dental Centre Limited

Portman Healthcare (Group) Limited**Notes to the Group financial statements (continued)**

For the year ended 30 September 2022

26. Business combinations (continued)**Dental practices trade and assets acquired**

During the current financial year, and as a key part of the Group's strategy, the Group acquired the trade and assets of 19 dental practices (2021: 11). The following table sets out the key available financial data relating to these acquisitions:

Acquisition totals for the financial year	2022	2021
	£'000	£'000
Tangible fixed assets acquired	1,656	1,126
Inventory acquired	375	94
Goodwill	17,919	7,464
Other intangible assets on acquisition	28,351	14,685
Deferred tax	(6,983)	(3,481)
	41,318	19,888
	£'000	£'000
Satisfied by:		
Initial cash consideration	33,525	15,040
Deferred contingent consideration	7,793	4,848
	41,318	19,888

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

Practice Acquired	Acquisition date
Whitehall Dental Practice	30 November 2021
Exeter Orthodontic Practice	17 December 2021
West Parade Dental Care	20 January 2022
South Cave Dental Surgery	31 January 2022
Causeway Dental Practice	31 March 2022
Blackhorse Dental Practice	31 March 2022
Pure Dental Clinic	31 March 2022
Grahams Road Dental Surgery	7 April 2022
Select Dental Care	29 April 2022
Acorn Specialist Orthodontics	16 June 2022
Abbey End Dental Practice	16 June 2022
The Independent Dental Practice	14 July 2022
North Street Dental Practice	18 July 2022
Chelsea Dental Spa	20 July 2022
The Dental Lounge	15 August 2022
Gavin Caves Orthodontics	25 August 2022
St Leonards, Bannockburn and Bankhouse Dental Practices (3 practices)	7 September 2022

All of the above are dental practices.

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.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

26. Business combinations (continued)

Deal-related costs of £2.7m have been charged to administration expenses in the Group Statement of Profit and Loss for the year ended 30 September 2022 (2021: £1.9m) relating to the acquisitions and are not recognised within consideration.

At the acquisition date there were no contractual cash flows not expected to be collected and the carrying values recognised represent their fair value.

Since the acquisition date, all subsidiaries and dental practice trade and assets acquired have contributed £18.5m to the Group's revenue and a profit of £2.8m. If the acquisitions had occurred on 1 October 2021, the acquired entities would have contributed £46.8m to the Group's revenue and £6.3m to retained profit.

Post-acquisition financial performance	2022 £'000	2021 £'000
Revenue	18,519	17,879
Cost of sales	(9,777)	(9,842)
Gross profit	8,742	8,037
Other operating expenses	(5,989)	(4,499)
Profit before tax	2,753	3,538

27. Post balance sheet events

The proposed merger with Dentex (referred to in Future Developments above) will see the Group acquire the equity share capital of Dentex Healthcare Group. Due to the size of the transaction and the scale of the proposed merged businesses the transaction is currently under Competitive Markets Authority ("CMA") review; the final structure of the deal will be formalised on receipt of the report from the CMA.

The consideration amount and the structure of the transaction has not yet been concluded but will be made up of a combination of cash and equity. Completion of the transaction is subject to shareholder and CMA approval and is expected to occur by Q1 of the 2023 calendar year. Due to the timing of the merger the full financial effect of this transaction was not, therefore, available at the time of signing the financial statements.

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

- On 31 October 2022, Portman Healthcare Limited purchased the trade and assets of Birchington Orthodontics in Birchington, Kent.
- On 16 November 2022, Portman Healthcare Limited purchased the trade and assets of South Gate Dental Practice in Southgate, London.
- On 6 December 2022, Portman Healthcare Limited purchased the trade and assets of Dr Matthew Parsons Dental Practice in Liverpool.
- On 8 December 2022, Portman Healthcare Limited purchased the trade and assets of Radiant Dental and Implant centre, Enniskillen.
- On 21 December 2022 Portman Healthcare Limited purchased the share capital of St Michael's Orthodontic Limited, Wakefield
- On 21 December 2022 Portman Healthcare Limited purchased the trade and assets of St Michael's dental practice, Wakefield.
- On 13 February 2022 Portman Healthcare Limited purchased the share capital of Myint Dental, Deal.

The share capital purchases acquired 100% of the voting rights at the acquisition date. The full financial effect of these acquisitions was not available at the time of signing the financial statements due to the proximity of the timing of the acquisitions to the year end date.

The following subsidiaries have been dissolved since year end; Hob Hey Dental Centre Limited and Country Dental Limited.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 20 February 2023.

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

28. Related party transactions

Directors' transactions

Directors of Portman Healthcare (Group) Limited

During the year, Dr Mark Hamburger was paid net payments totalling £nil (2021: £nil) in relation to carrying out dental treatments for Portman Healthcare Limited in his capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2022 there is a receivable balance of £5,497 (2021: £90).

Directors of Portman Healthcare Limited

During the year, Dr Rebecca Sadler was paid net payments totalling £82,293 (2021: £82,689) in relation to carrying out dental treatments for Portman Healthcare Limited in her capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2022, £nil (2021: £2,911) was outstanding.

During the year, Dr Catherine Tannahill was paid net payments totalling £53,861 (2021: £46,770) in relation to carrying out dental treatments for Portman Healthcare Limited in her capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2022, £2,725 (2021: £2,005) was outstanding. As at 30 September 2022, £65,199 of deferred consideration (2021: £109,808) was outstanding and included in payables.

During the year, Dr Nick Wenger was paid net payments totalling £387,374 (2021: £188,031) in relation to carrying out dental treatments for Portman Healthcare Limited in his capacity as a dental practitioner. This was in addition to fees earned when carrying out duties as a Director, as disclosed in note 7. As at 30 September 2022, £nil (2021: £13,411) was outstanding. As at 30 September 2022, £26,978 of deferred consideration (2021: £nil) was outstanding and included in payables.

Other related party transactions

During the year, Portman Healthcare Limited paid rent and insurance of £592,666 (2021: £593,823) in respect of premises to United Medical Property Limited, of which Mr Sam Waley-Cohen is the controlling party. As at 30 September 2022, £nil (2021: £154,461) was outstanding and United Medical Property Limited held rent deposits of £117,100 (2021: £117,100).

During the course of the year Menthe Holdings SCA (an intermediate parent company) issued a further 27,900 Ordinary 'A' shares (2021: nil), 2,790 Ordinary 'B' shares (2021: nil) and 82,183 Ordinary 'C1' shares (2021: 767,33) to members of the Group's management team, and redeemed 122,900 Ordinary 'A' shares (2021: nil), 12,290 Ordinary 'B' shares (2021: nil) and 1,347,017 Ordinary 'C1' shares (2021: nil) from former members of the Group's management team. In addition, £245,703 loan notes (2021: £1,965,854) were granted to and £2,501,623 loan notes (2021: £nil) were repaid by members of the Group's management team.

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

29. Ultimate parent company and controlling party

The Company is a wholly-owned subsidiary of Menthe Investments S.à r.l. (registered address 21 Rue Glesener, L-1631 Luxembourg).

Menthe Investments S.à r.l. (registered address 21 Rue Glesener, L-1631 Luxembourg) is the smallest group preparing consolidated accounts which include Portman Healthcare (Group) Limited for the period ended 30 September 2022. Copies of these consolidated financial statements can be obtained from Portman Healthcare (Group) Limited, The Port, Rosehill, New Barn Lane, Cheltenham, Gloucestershire, GL52 3LZ.

Menthe Topco S.à r.l. (registered address 21 Rue Glesener, L-1631 Luxembourg) is the largest group preparing consolidated accounts which include Portman Healthcare (Group) Limited for the period ended 30 September 2022. 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).

Portman Healthcare (Group) Limited

Notes to the Group financial statements (continued)

For the year ended 30 September 2022

30. Adjusted EBITDA

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

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

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

	2022 £'000	2021 £'000
Loss for the period	(51,743)	(33,593)
Tax	1,232	5,546
Net finance charges	48,972	32,479
Operating (loss)/profit for the period	(1,539)	4,432
Depreciation of property, plant and equipment	6,423	4,694
Depreciation of leased assets	4,365	3,553
Amortisation of intangibles	14,554	12,507
EBITDA	23,803	25,186
Acquisition costs	2,737	1,905
Lease rental charges excluded under IFRS 16	(6,149)	(5,014)
Non-operational income	(3,130)	(1,468)
Exceptional non-operating costs	9,232	5,300
Adjusted EBITDA	26,493	25,909

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

- It is a proxy for cash flows and helps to assess and manage liquidity across the Group.
- The measure is used by the Group's debt providers as part of the debt covenants, and as such reporting and analysis is required monthly.

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

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