Registration number: 12250218

Practice Plus Group Topco Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2022

Contents

Practice Plus Group Topco Limited
Registered number:12250218

Company Information

Chairman	Michael Parish
Directors	James Easton David Stickland Philip Whitecross Jamie Wyatt Robert Moores
Company secretary	Lee Gage
Registered office	Hawker House, 5-6 Napier Court, Napier Road, Reading, Berkshire, RG1 8BW
Auditor	KPMG LLP, Chartered Accountants, 66 Queen Square, Bristol, BS1 4BE

Strategic Report for the Year Ended 30 September 2022

The Directors present their Strategic Report, Directors' Report and Financial Statements for the year ended 30 September 2022.

Our Group
Practice Plus Group Topco Limited and its subsidiaries (the "Group") provides healthcare services including hospitals and surgical centres, GP practices, NHS walk-in centres, GP out-of-hours, prison health services and clinical assessment and diagnostics facilities.

We work with the NHS to take healthcare services closer to where people live and work - increasing the efficiency and quality of the services we deliver and helping to reduce waiting times.

We assess, diagnose and treat more than one million NHS patients every year, providing services which are free at the point of use.

At Practice Plus Group, our vision is to deliver "Access to Excellence". We strive to practice exceptional healthcare every day, growing responsibly so that we can help more people. Our services are chosen and trusted by patients and NHS Commissioners, and are easily available to all. We are driven by innovation and proudly deliver through expert colleagues working together as a team.

Our values are:
• We treat patients and each other as we would like to be treated
• We act with integrity
• We embrace diversity
• We strive to do things better together

Principal activity
The principal activity of the Group is is the provision of healthcare services, principally to the public sector with an increased private sector offering in the field of elective surgery.

Strategic Report for the Year Ended 30 September 2022 (continued)

Review of the business
The Group has had a strong performance in its core service lines during the year. The table below shows the key performance indicators for the Group's services for the year:

	Revenue	
	30 September 2022 £ 000	**30 September 2021 £ 000**
Secondary Care	186,555	161,118
Health in Justice	186,370	171,124
Integrated Urgent Care	87,988	79,076
Elimination	(277)	(425)
	460,636	410,893

EBITDA is the Group's key profitability metric. It is the operating profit for the year, adjusted for non-recurring items, depreciation, amortisation and any impairment. A full description of EBITDA can be found within the accounting policies.

	EBITDA	
	30 September 2022 £ 000	**30 September 2021 £ 000**
Secondary Care	22,441	24,933
Health in Justice	19,167	16,112
Integrated Urgent Care	8,516	7,546
Central Services	(3,707)	(5,728)
	46,417	42,863

Strategic Report for the Year Ended 30 September 2022 (continued)

The table below shows a reconciliation of EBITDA which is the Group's key profitability measure, to the Operating profit which is disclosed on the face of the Income Statement.

		Group Operating Profit	
		30 September 2022	**30 September 2021**
	Note	**£ 000**	**£ 000**
EBITDA		46,417	42,863
Non-recurring items	5	(2,346)	(1,285)
Depreciation	13, 14	(14,081)	(13,380)
Amortisation	12	(9,496)	(8,348)
Impairment	12, 13	-	8,305
Operating profit		20,494	28,155

The decrease in Operating profit of £7,661k against the prior year is predominantly impacted by the reversal of impairment of £8,305k. Operational performance saw an increase in EBITDA of £3,554k which was offset by higher Non-recurring items driven by project costs and higher depreciation and amortisation.

Secondary Care

In partnership with local NHS trusts and Integrated Care Boards, the Secondary Care service operates six hospitals, three surgical centres, two county-wide multi-location musculoskeletal services, two Urgent Treatment Centres (providing direct walk in access for the assessment and treatment of injury and illness on a no appointment basis, or with patients being referred via the 111 service) and delivers ophthalmology services throughout England. Our hospitals, surgical centres and clinics provide prompt assessment, diagnosis and treatment to approximately 80,000 NHS patients each year. They offer a range of diagnostic, as well as inpatient and outpatient services for patients who need surgical treatment or physiotherapy. The hospitals and surgical centres cover a range of specialties, including orthopaedics, endoscopy, ophthalmology, urology, gynaecology, oral and general surgery. Most centres also offer diagnostic imaging, such as X-rays and MRI, CT and Ultrasound scans.

The division continued to grow its private healthcare activities year on year (both self-pay and via private medical insurers). Overall, the number of procedures undertaken by our Secondary Care service increased by 10% compared to the prior year.

The key performance indicators relating to Secondary Care for the year are as follows:

	2022	**2021**
Secondary Care revenue £'000	186,555	161,118
Secondary Care EBITDA £'000	22,441	24,933
Secondary Care procedures	79,816	72,888

Strategic Report for the Year Ended 30 September 2022 (continued)

Health in Justice

The Group is the largest provider of healthcare services to prisons and secure facilities in England, operating at 50 different sites with services ranging from reception health checks and regular GP services, to help with substance misuse, mental health, chronic or long term conditions, podiatry, physiotherapy and optometry. We collaborate with commissioning bodies to assess the needs of each establishment. The Group works towards improved outcomes, reduced waiting times and front-line healthcare for prisoners and detainees.

COVID-19 continued to impact healthcare priorities and prison operations during the first half of the year in particular but we have maintained service levels and strong working relationships across the board.

We have refreshed the Health in Justice strategic plan, with a vision of providing 'high quality, clinically effective and efficient healthcare which empowers people living in secure settings to take their health seriously; improving their health outcomes' and strategic priorities around clinical care, people and governance.

We are working to implement a new operating model, Integrated Care Pathways, across a number of our sites. This re-organises the teams to align with three distinct pathways: Early Days in Custody, supporting patients during their first 10 days at the establishment, Planned Care, ensuring that ongoing healthcare needs are met, and Urgent Care to manage emergencies and acute care.

Growth remains a key part of the strategy and this year two new services were mobilised in HMP Five Wells and Heathrow IRC. In addition to this we are currently mobilising two new contracts to go live in October whilst also having a number of our existing contracts either renewed or extended.

The key performance indicators relating to Health in Justice for the year are as follows:

	2022	2021
Health in Justice revenue £'000	186,370	171,124
Health in Justice EBITDA £'000	19,167	16,112
Health in Justice prison population at 30th September	33,678	31,263

Integrated Urgent Care

Integrated Urgent Care includes the provision of NHS 111 services, Out of Hours (OOH) GP services, and GP practices in England. The strategy is to expand geographic spread of these services through winning new contracts and delivering additional services within our existing contracts. During the year, two significant contracts have been successfully mobilised with South West London Integrated Urgent Care going live in May 22 and Devon Integrated Urgent Care going live in September 22. Between them these two contracts will add £35m of recurring revenue on an annualised basis. We currently provide circa 15% of NHS 111 services and circa 15% of OOH services in England.

The Urgent Care sector has seen significant changes during the last 2 years of pandemic with fluctuating but overall increasing levels of demand, alongside a national staffing shortage of clinicians which has impacted on the services ability to achieve normal response times. A key post pandemic objective will therefore be to build back the staffing resilience that we had pre pandemic to improve service levels whilst continuing to deliver on financial targets.

The key performance indicators relating to Integrated Urgent Care for the year are as follows:

	2022	**2021**
Integrated Urgent Care revenue £'000	87,988	79,076
Integrated Urgent Care EBITDA £'000	8,516	7,546
Integrated Urgent Care 111 calls answered	1,626,417	1,622,179
Integrated Urgent Care OOH patient interactions	411,765	352,804

Strategic Report for the Year Ended 30 September 2022 (continued)

Net debt and cash flow

The Group was created following the purchase of Practice Plus Group Holdings Limited on 25th October 2019 which was funded by £115.6m of equity and £100.0m of loans from Bridgepoint. At 30th September 2022, the net debt for the Group was £34.4m, comprising cash of £32.1m, offsetting loans to Bridgepoint of £66.6m, following the repayment of £40.0m of loans during the year. See note 27 for a reconciliation of movements in net debt.

The Group manages its net debt through focusing on its liquidity which includes cash, and the undrawn amount of the Revolving Credit Facility. A summary of the the Group's liquidity position is below:

	Group	
	30 September 2022 £ 000	**30 September 2021 £ 000**
Cash	32,099	19,014
Overdraft facility	5,000	5,000
RCF facility	5,000	5,000
Restricted Cash	-	(2,000)
Total Liquidity	42,099	27,014

On the 25th October 2019, the Group entered into a £10m revolving credit facility ("RCF"). The RCF attracts interest at LIBOR +2.5% and has a maturity of 25th October 2022. The RCF attracts a financial covenant of £10m minimum consolidated EBITDA.

At 30 September 2022, the Group had no borrowings outstanding under the total £5m RCF and the £5m overdraft remains undrawn. See note 31 for further details around the refinancing which occurred after the end of the financial year.

Principal risks and uncertainties

The Board of Directors has overall responsibility for the Group's approach to assessing and managing risk.The senior leadership team is responsible for implementation of the policies and ensuring compliance. The divisional management teams are responsible for maintaining appropriate control environments. The principal risks faced by the Group are set out below:

Market risk

The main risk faced by the business is the impact of the many challenges facing our primary customer, the NHS, and the political appetite to allow independent providers to offer NHS services. These factors can have a direct impact on the number of referrals we receive for our elective surgery and CATS & Diagnostics businesses, and can vary dependant on the locality of the trading unit and the relationships we have with the local CCGs. The mitigation for this risk is to continually strive to deliver high levels of quality, safety and patient satisfaction.

Regulatory risk

The facilities operated by the Group are regulated by the Care Quality Commission and must comply with relevant standards and legislation.The Group operates stringent clinical quality processes to ensure the safety of our patients which is paramount.

Liquidity risk

The Group has access to a Revolving Credit Facility and overdraft which are available to manage any working capital requirements. A policy of prudent liquidity risk management is applied with detailed cashflow forecasts prepared on a weekly basis to ensure sufficient liquidity headroom is managed. There are covenants relating to the Revolving Credit Facility which the Group must adhere to which is managed by careful cashflow planning and monitoring of all compliance deadlines and ensuring a good working relationship with our bankers.

Inflation risk

The UK economy is currently experiencing a period of high inflation which is particularly impacting on the cost of electricity and gas, and is also leading to specific wage inflation pressures. The nature of many of the Group's contracts with customers is such that the impact of inflation is passed back through the contracted revenue price which helps to mitigate the impact.

People risk

The Group relies on its ability to recruit and retain skilled staff in order to provide all of its services. A sector- wide shortage of medical professionals is causing issues for the Group, with vacancies covered by agency staff where necessary. This has an associated cost impact. The Group is working to develop its reputation as an employer of choice and looking at measures to encourage staff retention. In the non-medical arena, staffing also continues to be an issue with the jobs market seeing the legacy impact of COVID-19 and Brexit.

Credit risk

Credit exposures in relation to customers is limited given that the majority of the Group's revenue is attributable to publicly funded entities such as Clinical Commissioning Groups and other NHS funded bodies. The Group has no significant concentrations of credit risk and consequently provision for bad debts is low and is not considered to be a risk.

Strategic Report for the Year Ended 30 September 2022 (continued)

Section 172(1) statement
The Board of Directors are responsible for making key decisions, supported by the senior leadership team. All decisions are assessed against the Group's values to ensure all financial and non financial impacts are assessed and considered as part of the decision-making process.

The Directors recognise that our employees are our key asset and that recruitment and retention of skilled staff is vital to the continuing success of our business. We offer a broad range of services which ensure staff have the opportunity to progress across our services and specialties. We offer a flexible work/life balance with an array of education, training and development opportunities to help develop our staff. We carry out annual employee engagement surveys to ensure that we continue to understand and act in the best interest of our employees.

We are committed to providing consistent, high quality service to local communities and regularly engage with our patients and service users to ask for their feedback. We use this feedback to develop robust action plans to ensure we have a programme of continuous improvement. We encourage openness and the honest reporting of any issues and, in the event of any performance or service shortcomings, we ensure a full and open review is carried out and shared widely.

We understand that as a Group we impact directly on the communities in which we operate and therefore we ensure all of our decision-making is supported by analysis of impacts both internal to our organisation and external. We are constantly striving to find more energy efficient ways to deliver our services.

The Group is committed to supporting research and investing in social initiatives and charitable organisations which support wellbeing. Our colleagues regularly extend their care for others beyond their day job and out into their own communities through a range of fundraising activities. We are delighted to reward and acknowledge their efforts through our Working with the Community Fund which provides matched funding up to £500 per application.

Our commitment as a provider of healthcare has always been to best quality, best practice and best outcomes in everything we do. This belief guides corporate culture and behaviours to ensure the highest possible standards of conduct. The Group has implemented a number of policies to ensure compliance.

It is our policy to conduct all of our business in an honest and ethical way. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate.

The requirement to comply with the Group's internal policies forms part of an individual’s terms of employment and there are processes available to deal with instances of non-compliance. Healthcare believes these policies operate effectively and also recognises the importance of robust processes to mitigate against both the likelihood and the impact of risks crystallising.

Engagement with suppliers, customers and other relationships
The Group does not follow a specific code or statement on payment practice. However, it is the Group’s policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations.

Strategic Report for the Year Ended 30 September 2022 (continued)

Corporate governance
The Directors consider the annual report and financial statements to comply with all aspects of the Walker Guidelines for Disclosure and Transparency in Private Equity and also with the Wates Principles.

Wates Principles

Our values are:
• We treat patients and each other as we would like to be treated
• We act with integrity
• We embrace diversity
• We strive to do things better together

These values inform expected behaviours and practices throughout the organisation. They are integrated into the different functions and operations of the business. This includes medical governance, internal assurance, employment practices, risk management, and compliance frameworks. The Board, shareholders and management are committed to embedding this culture throughout the organisation. This is effectively monitored through patient feedback, employee surveys, CQC feedback and all the wider NHS accreditation and monitoring mechanisms.

1. Purpose and leadership
The Board has built a strategy and business model to generate long-term sustainable value. Practice Plus Group is a diversified Health Care organisation and each discreet business unit or service line has its own strategy, which is regularly reviewed and validated. The Board is responsible for ensuring that the strategy is clearly articulated and implemented throughout the organisation, and that it, along with the company values, supports appropriate behaviours and practices. The Board has lead on the establishment of transparent policies in relation to raising concerns about misconduct and unethical practices. The Board manages conflicts of interest and a balance is struck between short-term targets or needs, and long term aspirations.

2. Board composition
The Chair, who is an independent non-executive, leads the Board and is responsible for its overall effectiveness, promoting open debate and facilitating constructive challenge and discussion. The ultimate Group Board comprises six individuals, four of whom are non-executive and two executives, the CEO and CFO. Two of the non-executives represent the majority shareholder. The Board has the appropriate combination of skills, backgrounds, experience and knowledge that promotes accountability and incorporates objective thought. It provides constructive challenge to achieve effective decision-making.

3. Directors' responsibilities
The Board has established and maintains corporate governance practices that provide clear lines of accountability and responsibility to support effective decision-making. The Group has set out, in its Delegation of Authority Matrix, the policies and practices that govern the internal affairs of the company. The Board's policies and procedures support effective decision-making and independent challenge.

Full Board meetings are held monthly and the following sub-committees are in place:
• The Audit and Risk Committee,
• The Remuneration Committee and
• The Medical Governance Committee

They are all chaired by Non-Executives and meet as required. The terms of each committee are set out in the Delegation of Authorities Matrix, including authorities delegated to it. The Board retains responsibility for all final decisions.

The authority, accountability, role and conduct of Directors is clear. Directors are aware of potential conflicts and have a process to identify and manage this risk. The Directors act in the ways they consider, in good faith, are most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

(a) The likely consequences of any decision in the long term;
(b) The interests of the Company's employees;
(c) The need to foster the Company's business relationships with suppliers, customers and others;
(d) The impact of the Company's operations on the community and the environment;
(e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
(f) The need to act fairly as between members of the company

The Chair and the Company Secretary periodically review the governance processes to confirm that they remain fit for purpose. They consider any initiatives which could strengthen the governance of the Group.

Strategic Report for the Year Ended 30 September 2022 (continued)

4. Opportunity and risk
The Board regularly considers and assesses how the Group creates and preserves value over the long-term. This includes both tangible and intangible sources of value, and the stakeholders that contribute to it. New business opportunities are considered and approved at board level.

The Board has responsibility for the organisation’s overall approach to strategic decision-making and effective risk management (financial and non-financial), including reputational risk. This requires oversight of risk and how it is managed, and appropriate accountability to stakeholders. The Board has established an internal control framework and systems that are in place to manage and mitigate both emerging and principal risks. There is frequent risk reporting and clear points at which decisions are made and escalated. Risk is principally managed through the Medical Governance and Audit and Risk sub committees and responsibilities include:

• developing appropriate risk management systems that identify emerging and established risks facing the company and its stakeholders;
• determining the nature and extent of the principal risks faced and those risks which the organisation is willing to take in achieving its strategic objectives (determining its ‘risk appetite’);
• agreeing how the principal risks should be managed or mitigated and over what timeframe to reduce the likelihood of their incidence or the magnitude of their impact;
• establishing clear internal and external communication channels on the identification of risk factors, both internally and externally; and
• agreeing a monitoring and review process.

5. Remuneration
The Board has established executive remuneration structures that are aligned with performance, behaviours, and the achievement of company purpose, values and strategy and the delivery of long-term sustainable success. This takes account of the broader operating context, including the pay and conditions of the wider workforce and the company’s response to matters such as any gender pay gap.

Remuneration decisions have been delegated to the Remuneration Committee, which is chaired by a Non-Executive Director. It is responsible for designing remuneration policies and structures for Directors, senior management and the organisation as a whole.

6. Stakeholder relationships and engagement
Directors foster effective stakeholder relationships aligned to the Group’s purpose. The Board oversees meaningful engagement with stakeholders and has regard to their views when taking decisions. Stakeholders include the workforce, customers and suppliers, regulators, the NHS, pensioners, creditors and community groups.

Strategic Report for the Year Ended 30 September 2022 (continued)

Company employees
The Group is an equal opportunities employer and we welcome applications from every sector of the community. It is our policy that people with disabilities should have full and fair consideration for all vacancies, and where necessary we will make reasonable adjustments to ensure that this happens. During the year, the Group continued to demonstrate commitment to interviewing those people with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment. We depend on the skills and commitment of our employees to maintain a successful and vibrant organisation. Our training meets not only statutory and mandatory standards, but we also ensure that we cover our customer service objectives and our values programme fulfilling lives.

The Group's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, marital status, race, age, sexual preference and orientation or ethnic origin. All decisions are based on merit and we believe that to be truly successful we must reflect the diversity of the communities that we serve. Internal communications are designed to ensure that employees are well informed about the business of the Company, and we undertake an annual employee survey to understand the opinions of all our people.

It is Group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue to employ and promote the careers of existing employees, who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitude and abilities.

Respect for human rights
We respect human rights and we have a zero tolerance approach to modern slavery. We are committed to acting ethically and with integrity in all our business dealings and relationships. We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains.

Strategic Report for the Year Ended 30 September 2022 (continued)

Anti-corruption and anti-bribery matters
It is our policy to conduct all of our business in an honest and ethical way. We take a zero tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate.

Approved by the Board on 23 December 2022 and signed on its behalf by:

....
David Stickland
Director
Hawker House,
5-6 Napier Court,
Napier Road,
Reading,
Berkshire,
RG1 8BW

Directors' Report for the Year Ended 30 September 2022

The Directors present their Directors' report and the consolidated financial statements for the year ended 30 September 2022.

Directors of the Group
The Directors, who held office during the year, were as follows:

James Easton

David Stickland

Michael Parish - Chairman

Philip Whitecross

Jamie Wyatt

Robert Moores

James Easton: Chief Executive Officer
• Joined Practice Plus Group in February 2013
• Previously was National Director of Improvement and Efficiency at the Department of Health. Led the national Quality, Innovation, Productivity and Prevention ("QIPP") project that works across the NHS to improve both quality and efficiency.
• Was Chief Executive of the NHS South Central Strategic Health Authority and Chief Executive Officer of York Hospitals NHS Foundation Trust.
• More than 30 years experience in the NHS with experience in primary care, mental health, healthcare commissioning and policy development.

David Stickland: Chief Finance Officer
• Joined Practice Plus Group in November 2019
• Has sat on Boards as a CFO for the last 15 years working in Outsourced Business Services, transportation and Information Technology industries.
• Strong commercial edge and focused on driving profitable growth and delivering stakeholder expectations.

Robert Moores and Jamie Wyatt are Non-Executive Directors representing the majority Shareholder, Bridgepoint.

Michael Parish and Philip Whitecross are Non-Executive Directors who were previously Executive Directors of the Healthcare division prior to its acquisition by the Group in October 2019 and have extensive knowledge and experience of the activities of the Group.

Dividends
No dividends have been declared or distributed for the year ended 30 September 2022 (2021: £nil).

Information included in the Strategic Report
The review of business is noted in the Strategic Report.

Charitable donations
During the year the Group made charitable donations of £9,776, mainly related to matched funding of employee's fundraising up to £500 (2021: £5,212).

Gender diversity

The following table shows the gender diversity relating to our workforce during the year:

Group	Male %	Female %
Board of Directors	100	-
Senior Management	81	19
Other Employees	24	76

The Practice Plus Group is committed to equality, diversity, and inclusion (EDI). Our work here is overseen by an established EDI Steering Group led by the Company Secretary and reporting directly to the Chief Executive. Steps taken to specifically address the gender composition of our workforce, and in particular the Gender Pay Gap, are on-going and this year have included; the provision of the Springboard 2022 programme (an award-winning work and personal development programme for women), the formation of a Female Leaders group, an equal pay analysis undertaken for senior roles and amendments made as appropriate, and targeted positive action in relation to senior internal movement and external hires.

Employment of disabled persons

The Group is an equal opportunities employer and we welcome applications from every sector of the community. It is our policy that people with disabilities should have full and fair consideration for all vacancies, and where necessary we will make reasonable adjustments to ensure that this happens. During the year, the Group continued to demonstrate its commitment to interviewing those people with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment.

We depend on the skills and commitment of our employees to maintain a successful and vibrant organisation. Our training meets not only statutory and mandatory standards, but we also ensure that we cover our customer service objectives and our values programme fulfilling lives.

Employee involvement

The Group's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, marital status, race, age, sexual preference and orientation or ethnic origin. All decisions are based on merit and we believe that to be truly successful we must reflect the diversity of the communities that we serve. Internal communications are designed to ensure that employees are well informed about the business of the Group, and we undertake an annual employee survey to understand the opinions of all our people. The Group has an Equality, Diversity and Inclusion steering group to ensure appropriate divisional wide promotion and initiatives are undertaken in relation to Equality, Diversity and Inclusion from both a service delivery and workforce perspective, and also ensure compliance with appropriate legislative and governance frameworks.

Environmental report

Energy efficiency actions taken during the period

During 2021/22 we continued to improve our energy efficiency by:

• Operating the Hospitals more efficiently to increase our revenue per tonne of carbon
• Replacing failed or failing energy consuming assets with the most energy efficient solution within the constraints of the relevant HTM specification

In addition, we have:

• Surveyed all the lighting in order to build a business case to convert them to LED
• Confirmed that ventilation systems serving clinical areas have been returned to operate in set-back mode when they are not is use. These had been running 24/7 as part of our Covid control measures but now operate under normal conditions.
• Completed a review of BMS operating controls to refine operational schedules based around building occupancy and clinical activity.
• Included PIR control and occupation sensors within the new Head Office Mechanical & Electrical specification, to provide more accurate operation of both ventilation and lighting rather than the traditional on/off scenario.
• Completed DECs (Display Energy Certificates) for at all the Hospitals where we purchase the energy

Finally, we are in the process of assessing the costs and benefits of installing solar PV at one of the Hospitals

Directors' Report for the Year Ended 30 September 2022 (continued)

Emissions and energy consumption

Streamlined Energy and Carbon Reporting ("SECR") Methodology

Energy Consumption and Emissions: This was collected from the energy bills from the supplier with the exception of two Hospitals where we pay for the energy via the service charge. The service charge costs were converted to kWh using the average cost per kWh for each of the utilities we buy directly from a supplier. The emissions were calculated from the kWh using the conversion factors published by on the government's SECR website.

Transport Emission: The business travel mileage was collected from the expenses claim system. The emissions were calculated from the miles using the conversion factors published by on the government's SECR website.

Summary of greenhouse gas emissions and energy consumption for the year ended 30 September 2022:

Name	Metric	2022	2021
Emissions from combustion of gas	tCO2e	3,013	2,731
Emissions from combustion of fuel for transport purposes	tCO2e	-	-
Energy consumption used to calculate emissions	kWH	26,658,201	23,828,270
Emissions from business travel	tCO2e	470	336
Emissions from purchased electricity	tCO2e	1,957	1,894
Total gross emissions	tCO2e	5,440	4,961
Intensity ratio	kgCO2e per £1k Hospital revenue	29	30

Intensity ratio

Hospital emissions per £1000 of revenue

We have found that 90% of our emissions are from gas and electricity, and 95% of these emissions come from the nine Hospitals and Surgical centres ("Hospitals"). Therefore, we decided that the most representative intensity factor for the business as a whole would be one that normalised the emissions from the Hospitals. We also decided that the most representative measure of their output is the sum of their revenue. Consequently, the intensity metric we chose for the Practice Plus Group is "Hospital emissions per £1,000 of annualised Hospital revenue" This covers 85% of our emissions and provides a good indication of our progress towards a greener business.. During the year ended 30 September 2022 this was 28.00% (2021 - 30.00%).

Environmental matters

The Group has implemented a number of initiatives to minimise environmental impact. These include the procurement process with supplier due diligence to utilise responsible, sustainable suppliers, reducing multiple small deliveries and opting for plastic-free medication packaging. We continue to work on reducing our consumption via paperless working, the introduction of smart water meters and have also commissioned a feasibility study for the introduction of Electric Vehicle charging points at all our Hospitals and Surgical Centres alongside existing Cycle2work and car share schemes.

Social and community issues

Key social and community issues for us include enabling more disadvantaged members to have access to our expertise and to our services, as well as considering how we can have a positive impact on our local social and business community. The ways in which we can achieve this include the following:

Participating in the Department of Health's initiative to establish primary and other care services in under-doctored areas e.g. the Equitable Access scheme and urban walk in centres.
Employee participation in local community help schemes.
Employee participation in national charity fundraising events.
Matched Funding - Working in The Community' scheme, whereby hundreds of employees take part in fundraising for their favourite charities.
Give as You Earn payroll charity donations.
Annual fund raising events in our main offices (e.g. the BBC 'Children in Need' appeal).

Future developments

The Group continues to grow its presence in the elective surgery sector, along with its CATs & Diagnostic services. The main focus of this growth remains contracts with the NHS and CCGs but other opportunities are also assessed if they align with our current strengths or can be delivered using existing staff and infrastructure. Growth is also continuing in private pay arrangements and procedures carried out under private medical insurance.

Directors' Report for the Year Ended 30 September 2022 (continued)

Going concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

• At 30 September 2022, the Group has significant levels of liquidity with a strong cash position of £32.1m (2021: £19.0m) and access to a further £5.0m of Revolving Credit Facilities and a £5.0m overdraft (2021: £5m overdraft and £5m RCF) both of which are fully undrawn.

• Budgeted cash flows show that the Group would be able to continue to trade for at least 12 months from the date of approval of these financial statements. This budget reflects the impact of the refinancing arrangements which have occurred since the 30th September 2022 and which led to the extension of the RCF and the overdraft facilities..

• In considering the Group's ability to continue as a going concern, the Directors have prepared a range of detailed cash flow forecasts for the Group for the period of 12 months from the date of approval of these financial statements, using a range of scenarios, which take into account the current inflationary market pressures. Even under the most severe but plausible scenario, the Group has sufficient resources and liquidity to be able to continue to trade for at least 12 months from the date of signing of these financial statements,

Important non adjusting events after the financial period

On 2nd November 2022, the Group signed a new Senior Facilities Agreement for £120m. This comprises two tranches- a £100m Term Loan B, repayable on 18th November 2029; and a £20m Revolving Credit Facility ("RCF"), repayable on 18th May 2029. The Term Loan of £100m was drawn in full on 18th November 2022 and bears interest at a rate of SONIA +6.5%. £5m of the RCF has been scoped as an overdraft facility, with the remaining £15m available for RCF drawdowns. The RCF bears interest at SONIA +3.75%.

The Group has incurred fees directly relating to the re-financing of 2.75% of the Term Loan B amount which was deducted from the proceeds, and 3% fee on the RCF which will be paid at a later date.

The Group has repaid the £66.7m of Loan notes and accrued interest and paid a dividend of £53.3m to its shareholder.

Directors' liabilities

There were qualifying third-party indemnity provisions in place for the benefit of all Directors of the Group during the financial period and as at the date of approval of these financial statements.

Disclosure of information to the Auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the Auditor is unaware.

Directors' Report for the Year Ended 30 September 2022 (continued)

Reappointment of auditors
The auditors KPMG LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 23 December 2022 and signed on its behalf by:

....
David Stickland
Director
Hawker House,
5-6 Napier Court,
Napier Road,
Reading,
Berkshire,
RG1 8BW

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company Financial Statements in accordance with UK-adopted international accounting standards and applicable laws.

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 Group and Parent Company and of their profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards and applicable law, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group and Parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of the Financial Statements that are free from material misstatement whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Practice Plus Group Topco Limited

Opinion

We have audited the financial statements of Practice Plus Group Topco Limited ('the Company') for the year ended 30 September 2022, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, and related notes, including the accounting policies in note 2 .

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, legal officer and inspection of key papers provided to those charged with governance as to the high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and process for engaging management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- Using analytical procedures to identify any unusual or unexpected relationships;
- Reading Board minutes; and
- Obtaining a copy of the Group's fraud register

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment and the changes to the financial regime from the NHS, we perform procedures to address the risks of management override of controls and the risk of fraudulent revenue recognition, in particular the risk of incentive for revenue to be manipulated into the wrong period around the year end.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying and testing journal entries based on risk criteria and comparing the identified entries supporting documentation. These included those posted by individuals who typically do not make journal entries, journals containing key words and unusual or unexpected account combinations with revenue and unusual or unexpected account combinations with cash and borrowings;
- Sample testing invoices relating to the period prior to and following 30 September 2021 to determine whether income is recognised in the correct accounting period; and
- Assessing significant accounting estimates for bias.

Independent Auditor's Report to the Members of Practice Plus Group Topco Limited (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other members of management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other members of management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR, health and safety, employment law, anti-bribery and money laundering and Care Quality Commission regulations recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Practice Plus Group Topco Limited (continued)

Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 22, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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. 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

Jonathan Brown

Jonathan Brown (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square,
Bristol,
BS1 4BE

23 December 2022

Consolidated Income Statement for the Year Ended 30 September 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	460,636	410,893
Cost of sales		(327,211)	(283,253)
Gross profit		133,425	127,640
Administrative expenses		(112,931)	(99,485)
Operating profit	6	20,494	28,155
Finance income		27	25
Finance costs		(3,070)	(5,518)
Net finance cost	7	(3,043)	(5,493)
Profit before tax		17,451	22,662
Income tax expense	11	(3,189)	(8,792)
Profit for the year		14,262	13,870

The above results were derived from continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2022

	2022 £ 000	2021 £ 000
Profit for the year	14,262	13,870
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit pension schemes before tax	32	(4)
Income tax effect	23	1
	55	(3)
Total comprehensive income for the year	14,317	13,867
Total comprehensive income attributable to:		
Owners of the company	14,317	13,867

The notes on pages 38 to 101 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 30 September 2022

	Note	30 September 2022 £ 000	30 September 2021 £ 000
Non-current assets			
Intangible assets	12	218,179	225,345
Property, plant and equipment	13	25,525	21,755
Right of use assets	14	43,930	49,114
		287,634	296,214
Current assets			
Inventories	16	1,220	902
Trade and other receivables	17	28,525	30,604
Cash and cash equivalents	18	32,099	19,014
		61,844	50,520
Total assets		349,478	346,734
Current liabilities			
Current portion of long term lease liabilities	24	(4,800)	(5,640)
Trade and other payables	19	(84,742)	(96,224)
Provisions	21	(2,071)	(82)
		(91,613)	(101,946)
Non-current liabilities			
Long term lease liabilities	24	(40,881)	(45,213)
Loans and borrowings	20	(66,547)	(65,494)
Retirement benefit obligations	22	(317)	(294)
Provisions	21	(6,092)	(4,509)
Deferred tax liabilities	11	(17,840)	(17,511)
		(131,677)	(133,021)
Total liabilities		(223,290)	(234,967)
Net assets		**126,188**	**111,767**

The notes on pages 38 to 101 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 30 September 2022 (continued)

	Note	30 September 2022 £ 000	30 September 2021 £ 000
Equity			
Share capital	23	115,761	115,707
Share premium		1,354	1,354
Retained earnings		9,073	(5,294)
Equity attributable to owners of the Company		**126,188**	**111,767**

Approved by the Board on 23 December 2022 and signed on its behalf by:

....
David Stickland
Director

Company Statement of Financial Position as at 30 September 2022

	Note	30 September 2022 £ 000	30 September 2021 £ 000
Non-current assets			
Investments in subsidiaries	15	115,600	115,600
Current assets			
Trade and other receivables	17	1,626	1,593
Cash and cash equivalents		9	-
		1,635	1,593
Current liabilities			
Trade and other payables	19	(10)	-
Net Assets		**117,225**	**117,193**
Equity			
Share capital	23	115,800	115,800
Share premium		1,354	1,354
Retained earnings		71	39
Equity attributable to owners of the company		**117,225**	**117,193**

Approved by the Board on 23 December 2022 and signed on its behalf by:

....
David Stickland
Director

The notes on pages 38 to 101 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2022

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 October 2020	115,764	927	(19,161)	97,530
Profit for the year	-	-	13,870	13,870
Other comprehensive income	-	-	(3)	(3)
Total comprehensive income	-	-	13,867	13,867
New share capital subscribed	36	427	-	463
Elimination of shares held by Employee Benefit Trust	(93)	-	-	(93)
At 30 September 2021	115,707	1,354	(5,294)	111,767

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 October 2021	115,707	1,354	(5,294)	111,767
Profit for the year	-	-	14,262	14,262
Other comprehensive income	-	-	55	55
Total comprehensive income	-	-	14,317	14,317
Elimination of shares held by Employee Benefit Trust	54	-	50	104
At 30 September 2022	115,761	1,354	9,073	126,188

The notes on pages 38 to 101 form an integral part of these financial statements.

Company Statement of Changes in Equity for the Year Ended 30 September 2022

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2020	115,764	927	18	116,709
Profit for the year	-	-	21	21
Total comprehensive income	-	-	21	21
New share capital subscribed	36	427	-	463
At 30 September 2021	115,800	1,354	39	117,193

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2021	115,800	1,354	39	117,193
Profit for the year	-	-	32	32
Total comprehensive income	-	-	32	32
At 30 September 2022	115,800	1,354	71	117,225

The notes on pages 38 to 101 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 September 2022

	Note	2022 £ 000	2021 £ 000
Cash flows from operating activities			
Profit for the year		14,262	13,870
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	23,577	21,728
Impairment		-	(8,305)
Loss/(profit) on disposal of property plant and equipment	6	44	(81)
Finance income	7	(27)	(25)
Finance costs	7	3,070	5,518
Income tax expense	11	3,189	8,792
		44,115	41,497
Working capital adjustments			
(Increase)/decrease in inventories	16	(318)	7
Decrease/(increase) in trade and other receivables	17	2,449	(12,906)
(Decrease)/increase in trade and other payables	19	(9,397)	25,992
Increase/(decrease) in retirement benefit obligation net of actuarial changes	22	49	(2)
Decrease in provisions	21	(101)	(655)
Cash generated from operations		36,797	53,933
Income taxes paid		(3,081)	(3,760)
Net cash flow from operating activities		33,716	50,173
Cash flows from investing activities			
Interest received	7	-	25
Acquisitions of property plant and equipment		(10,063)	(6,826)
Acquisition of intangible assets		(649)	(1,874)
Proceeds from sale of property, plant and equipment		28	81
Buy out of joint operation		(1,000)	-
Net cash flows from investing activities		(11,684)	(8,594)
Cash flows from financing activities			
Interest paid	7	(47)	(299)
Proceeds from issue of ordinary shares, net of issue costs		-	36
Repayment of other borrowing		-	(40,000)
Repayment of lease liability		(8,900)	(8,644)
Net cash flows from financing activities		(8,947)	(48,907)

The notes on pages 38 to 101 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 September 2022 (continued)

	Note	2022 £ 000	2021 £ 000
Net increase/(decrease) in cash and cash equivalents		13,085	(7,328)
Cash and cash equivalents at 1 October		19,014	26,342
Cash and cash equivalents at 30 September		32,099	19,014

The notes on pages 38 to 101 form an integral part of these financial statements.

Company Statement of Cash Flows for the Year Ended 30 September 2022

	2022 £ 000	2021 £ 000
Cash flows from operating activities		
Profit for the year	32	21
Adjustments to cash flows from non-cash items		
Finance Income	(28)	(21)
Corporation tax credit	(4)	-
	-	-
Movement in working capital	9	-
Net cash flow from operating activities	9	-
Net increase in cash and cash equivalents	9	-
Cash and cash equivalents at 1 October	-	-
Cash and cash equivalents at 30 September	9	-

The notes on pages 38 to 101 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 30 September 2022

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom.

The address of its registered office is:
Hawker House,
5-6 Napier Court,
Napier Road,
Reading,
Berkshire,
RG1 8BW

These financial statements were authorised for issue by the Board on 23 December 2022.

2 Accounting policies

Statement of compliance
The Group financial statements have been prepared in accordance with UK-adopted international accounting standards ("UK- adopted IFRS's").

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The functional currency of the Group is GB pounds sterling and this is also the presentational currency of these Financial Statements.

2 Accounting policies (continued)

Going concern
The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

• At 30 September 2022, the Group has significant levels of liquidity with a strong cash position of £32.1m (2021: £19.0m) and access to a further £5.0m of Revolving Credit Facilities and a £5.0m overdraft (2021: £5m overdraft and £5m RCF) both of which are fully undrawn.

• Budgeted cash flows show that the Group would be able to continue to trade for at least 12 months from the date of approval of these financial statements. This budget reflects the impact of the refinancing arrangements which have occurred since the 30th September 2022 and which led to the extension of the RCF and the overdraft facilities..

• In considering the Group's ability to continue as a going concern, the Directors have prepared a range of detailed cash flow forecasts for the Group for the period of 12 months from the date of approval of these financial statements, using a range of scenarios, which take into account the current inflationary market pressures. Even under the most severe but plausible scenario, the Group has sufficient resources and liquidity to be able to continue to trade for at least 12 months from the date of signing of these financial statements,

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September 2022.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a profit after tax for the financial year of £32k (2021- profit of £21k).

2 Accounting policies (continued)

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder’s share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 October 2021 and have had no effect on the financial statements:

2 Accounting policies (continued)

Amendments to IFRS 16: Leases Covid-19 Related Rent Concessions
The amendment introduces an optional practical expedient for leases in which the Group is a lessee. For leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. There was no impact arising from adoption of this amendment.

Amendments to IFRS 9: Interest Rate Benchmark Reform Phase 2
The Phase 2 has been applied retrospectively, however, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group has no transactions for which the benchmark rate had been replaced, there is no impact on the balance sheet.

None of the other standards, interpretations and amendments effective for the first time from 1 October 2021 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective
The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Annual Improvements to IFRS Standards 2018-2020 (effective date to be confirmed)

Amendments to IAS 8 Accounting Policies, Change in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date to be confirmed)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date to be confirmed)

Amendments to IAS 12 Income Taxes- Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (effective date to be confirmed)

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 October 2021 and which have not been adopted early, are expected to have a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition

Recognition

The Group earns revenue from the provision of Healthcare services. The Group provides a number of services relating to Healthcare which includes provision of surgical procedures at our Hospital and Surgical Centres, provision of healthcare within prisons, GP practices, Out-of-Hours medical assistance and 111 call centre services. The revenue recognition policy is to recognise revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

2 Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

- For fixed fee arrangements from services revenue is recognised based on the stage of completion and performance obligations met for actual services provided. For single services delivered at a point in time, revenue is recognised when the service is provided, such as a hip replacement procedure. For services which are provided over a period of time such as three year contracts to provide health services in a prison, revenue is recognised on a straight line basis over the period of the contract.

The main performance obligations in contracts consist of either a distinct service that the entity has promised to deliver, or a series of distinct services. Whether services are distinct is determined based on whether the customer can benefit from the service on its own and whether the promise to transfer the benefit is separately identifiable from the other promises in a contract. Performance obligations satisfied at a point in time are measured upon delivery of the service.

Transaction price

The transaction price needs to consider variable consideration, whether there is a financing component, whether the proceeds are considered to be recoverable and whether there is any non-cash consideration or consideration payable to a customer.

Variable consideration is estimated using either expected value based on a range of possible outcomes, or the most likely amount based on two possible outcomes. Variable consideration is subject to the revenue constraint
i.e. variable consideration is only recognised to the extent that it is highly probable that it will not reverse, when experience and external factors are taken into account.

The transaction price is allocated to performance obligations based on either an observable price or an estimated price which is based on either an adjusted market assessment approach, expected cost plus a margin or residual approach.

2 Accounting policies (continued)

Principal versus agent

The Group has arrangements whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. The Group acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Group has in establishing the price for the specified good or service and whether the Group is primarily responsible for fulfilling the promise to deliver the service or good.

This assessment of control requires judgement in particular in relation to certain service contracts. An example, is the provision of prison health care services where the group may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

Contract modifications

The Group's contracts are often amended for changes in contract specifications and requirements. Contract modification exists when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract:
b. Prospectively as a termination of the existing contract and creation of a new contract;
c. As part of the original contract using a cumulative catch up; or
d. As a combination of b) and c).

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes. Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price.

2 Accounting policies (continued)

Contract assets and receivables

Where services are transferred to the customer before the customer pays consideration, or before payment is due, accrued income is recognised. Accrued income is included in the statement of financial position and represents the right to consideration for products delivered.

Accrued income & trade receivables (loans and advances) are classified as current or non-current based on the Group’s normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the group has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

Capitalisation of costs to obtain or fulfil a contract

The incremental costs of obtaining and fulfilling a contract with a customer are recognised as an asset if they are expected to be recovered. These include costs of obtaining a contract such as bid success fees and legal fees to draft the contract, as well as costs to fulfil a contract, known as mobilisation costs such as costs of setting up governance framework, implementation workstreams and IT support. Judgement is applied when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable. Costs are only capitalised after a contract has been successfully procured, prior to the commencement of the contract.

Costs to obtain and to fulfil a contract are included in the statement of financial position as a separate class of assets within intangible assets.

These assets are subsequently charged to the income statement over the expected contract period. The amortisation charge is included in the income statement in cost of sales.

2 Accounting policies (continued)

Impairment of contract related balances

At each reporting date, the group determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Government grants

Government grants relating to income are included within creditors in the balance sheet and credited to the profit and loss account on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented separately under the heading Other income.

Finance income and costs policy

Financing expenses include interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Financing income comprise interest receivable on funds invested, dividend income, interest income on lease receivables and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity’s right to receive payments is established.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

2 Accounting policies (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Buildings	In line with the lease on the property
Assets under construction	No depreciation charged until asset is ready for use
Furniture, Fittings & Equipment	Straight line: 3 to 5 years
IT equipment	Straight line: 33% on cost

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. The cost of acquisition is expensed as incurred.

2 Accounting policies (continued)

Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	**Amortisation method and rate**
Costs incurred in fulfilling contract	Straight line over contract term - generally 3 years
Software	3 years
Other intangible assets	Straight line: Between 3-12 years which includes assumption on renewal of underlying contract

2 Accounting policies (continued)

Investments
Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2 Accounting policies (continued)

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Accounting policies (continued)

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the group to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the group has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Initial recognition and measurement

The Group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the group's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the group measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The group then accounts for these in line with the accounting policy for new leases.
If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.
For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).
The group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

2 Accounting policies (continued)

Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year when the annual budget is prepared.

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

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

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

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2 Accounting policies (continued)

Defined benefit pension obligation
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The entity determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the entity's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The entity recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The entity then calculates the current service cost for the remainder of the reporting period, post the amendment or curtailment, using the same actuarial assumptions as those used to remeasure the net defined benefit liability/(asset).

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the entity, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement, ignoring the effect of the asset ceiling that is reversed separately through OCI.

2 Accounting policies (continued)

Share based payments
Certain employees are entitled to purchase shares in the Company as part of an incentive plan. The nature of any such arrangements are assessed to consider whether they meet the definition of share based payments and whether any share based payments are equity-settled or cash-settled. The Group currently has equity-settled share based payments and no cash-settled share based payments.

Equity-settled share based payments are measured at the fair value of the equity instruments on the grant date. The resulting fair value is expensed on a straight line basis over the vesting period.

For cash-settled share based payments, a liability is recognised for the goods or services acquired, initially measured at the fair value of the liability. The fair value of the liability is re-measured at each balance sheet date, with any changes in fair value recognised in profit or loss for the year.

Non - GAAP performance measures
The Board believe that the measure EBITDA provides additional useful information for the shareholders and other stakeholders on the underlying performance of the business. These measures are consistent with how the business is monitored internally. EBITDA is not a recognised profit measure under adopted IFRS and may not be directly comparable with profit measures used by other companies.

EBITDA is defined as operating profit before net financing expenses adjusted to exclude finance income/costs, depreciation of tangible assets, amortisation of intangible assets, impairment charges and non-recurring items.

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss (“FVTPL”) are recognised on the trade date, i.e. the date on which the group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

2 Accounting policies (continued)

Classification and measurement
Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

2 Accounting policies (continued)

Derecognition

Financial assets

The Group derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the group derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

If the terms of a financial liabilities are modified, the group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the group recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the group recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the group recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the group recognises the lifetime ECL.

The group measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

2 Accounting policies (continued)

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the group on terms that the group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

For trade receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 September 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Estimates are used in accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes, provisions, and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Financial Statements in the period that an adjustment is determined to be required.

Management regularly discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Significant accounting judgements in applying the Group's accounting policies have been applied by the Group in order to prepare the consolidated financial statements with respect to the value of tangible assets, intangible assets including goodwill, provisions, and pensions, and are described below.

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

Provisions
The Group provides for onerous contracts to the extent that the unavoidable costs of fulfilling the contractual obligation exceeded the estimated economic benefit expected from the contract. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable risk-adjusted discount rate in order to calculate present value.

The Group has recognised provisions for the cost of dilapidations on leasehold properties based on estimates of the likely cash out flow at the end of the lease, discounted using an appropriate discount rate.

Defined benefit pension plans
The defined benefit pension deficits are calculated by independent qualified actuaries using actual payroll data and actuarial assumptions to model the future costs and expected benefits. These assumptions cover discount rate, life expectancy, mortality, inflation, and expected retirement age. These assumptions are updated on an annual basis and change with current market data which may necessitate material adjustments to this liability in the future. Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in the post employment benefits note.

Impairment of non-financial assets
The Group assesses the recoverable amount of tangible assets, intangible assets and investments where there are indications that the assets could be impaired. Indicators of impairment include factors internal and external to the organisation that suggest the asset's value may have declined. Where indicators suggest that the value of the asset may have declined, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

Intangible assets
The Group uses forecast cash flow information and estimates of future growth to initially value other intangible assets recognised as part of business combinations, to assess whether goodwill and other intangible assets are impaired, and to determine the useful economic lives of its intangible assets. If the results of operations in a future period are adverse to the estimates used for impairment testing, an impairment charge may be triggered at that point, or a reduction in useful economic life may be required.

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

4 Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2022	2021
Group	**£ 000**	**£ 000**
Rendering of services	460,636	410,893

The Group considers its business activities fall into the following operating segments:

Secondary Care - The provision of elective surgery procedures to both the public and private sector.

Health in Justice - The provision of forensic and general healthcare services to offenders, victims of crime and those within the judicial system.

Integrated Urgent Care - The provision of primary healthcare services, including out of hours contracts, integrated urgent care contracts and 111 call centres.

4 Revenue (continued)

Disaggregated revenue information for each segment is provided below.

	Group	
	30 September 2022 £ 000	**30 September 2021 £ 000**
Secondary Care	186,555	161,118
Health in Justice	186,370	171,124
Integrated Urgent Care	87,988	79,076
Intra-segment eliminations	(277)	(425)
	460,636	410,893

The table below shows revenue split between activity based, and block contract.

	Group	
	30 September 2022 £ 000	**30 September 2021 £ 000**
Activity	219,359	162,256
Block	241,277	248,637
	460,636	410,893

Accrued income arises where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Trade receivables (loans and advances) represent our unconditional right to consideration for the goods or services supplied and performance obligations delivered. Deferred liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

Current assets and liabilities

	30 September 2022 £ 000	**30 September 2021 £ 000**
Accrued income	10,605	9,161
Deferred income	(11,634)	(10,526)
Trade receivables	7,231	12,504
Net contract assets	6,202	11,139

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

4 Revenue (continued)

Reconciliation of movement in accrued income

	Year ending 30 September 2022 £ 000	Year ended 30 September 2021 £ 000
Accrued income opening	9,161	2,883
Work performed	10,009	9,230
Billed	(8,565)	(2,952)
At 30 September	10,605	9,161

Reconciliation of movement in deferred income

	Year ending 30 September 2022 £ 000	Year ending 30 September 2021 £ 000
Deferred income opening	(10,526)	(10,145)
Recognised in P&L	5,788	7,193
Cash received from customer	(6,896)	(7,574)
At 30 September	(11,634)	(10,526)

Breakdown of contracted revenue

	30 September 2022 £ 000	30 September 2021 £ 000
Contracted revenue < 1yr	259,886	210,184
Contracted revenue 2-5 years	589,936	264,227
Contracted revenue > 5 years	141,688	23,510
	991,510	497,921

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

5 Non recurring items

The analysis of the Group's non recurring items for the year is below. The Group excludes these items from its calculation of EBITDA.

Group	**2022** **£ 000**	**2021** **£ 000**
Legal dispute	(667)	-
Costs associated with re-branding	(25)	(339)
Creation of onerous lease provision	273	-
Pensions	(778)	-
Costs associated with restructure	(72)	(258)
Dilapidation review	27	662
Strategic projects	(1,104)	(1,350)
	(2,346)	(1,285)

Legal dispute
The Group has incurred £667k of legal costs relating to the re-procurement of a contract.

Costs associated with re-brand exercise
On the 1st October 2020, the Group officially re-branded as the Practice Plus Group and incurred £25k of costs relating to the re-brand (2021: £339k).

Creation of onerous lease provision
In a prior year, the Group created an provision for £306k relating to the unavoidable costs under the lease until the termination of the lease agreement. During the current year, the decision was made to retain the site to support new contracts and the remaining balance of the provision of £273k was released.

Pensions
During the year, the Group incurred £778k of costs relating to a legacy contract dispute around costs of transferring certain individuals back to the NHS pension scheme.

Costs associated with restructure
The Group incurred £72k of costs costs relating to New Services (2021: £258k).

Dilapidation review
The Group undertook a review of dilapidations in the Integrated Urgent Care service which led to a release of £27k in the current year (2021: £662k release).

Strategic projects
The Group incurred £1,104k relating to strategic projects during the year (2021: £1,350k).

6 Operating profit

Arrived at after charging/(crediting)

Group	2022 £ 000	2021 £ 000
Depreciation expense	(6,448)	(6,086)
Depreciation on right of use assets - Vehicles	(166)	(215)
Depreciation on right of use assets - Property	(7,459)	(7,072)
Depreciation on right of use assets - Other	(8)	(7)
Amortisation expense	(9,496)	(8,348)
Profit on disposal of property, plant and equipment	44	81
Reversal of impairment of tangible assets	-	1,843
Reversal of impairment of intangible assets	-	6,462
Cost of inventory recognised as an expense	(32,684)	(28,140)

7 Finance income and costs

Group	2022 £ 000	2021 £ 000
Finance income		
Other finance income	27	25
Finance costs		
Interest on Revolving Credit Facility	(44)	(157)
Other finance costs	(86)	(438)
Interest expense on leases	(1,928)	(2,130)
Loans from related party	(1,012)	(2,793)
Total finance costs	(3,070)	(5,518)
Net finance costs	(3,043)	(5,493)

8 Staff numbers and costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

Group	**2022 £ 000**	**2021 £ 000**
Wages and salaries	174,435	158,559
Social security costs	17,882	14,979
Pension costs	5,545	5,396
Redundancy costs	359	690
	198,221	179,624

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2022 No.	**2021 No.**
Administration and support	1,697	1,609
Medical professionals and support staff	4,703	4,401
	6,400	6,010

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	1,160	1,214
Contributions paid to money purchase schemes	-	1
	1,160	1,215

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	-	1

In respect of the highest paid Director:

	2022 £ 000	2021 £ 000
Remuneration	567	617

10 Auditors' remuneration

	2022 £ 000	2021 £ 000
Amount payable in respect of the audit of the Group and its subsidiaries	265	273
Total fees paid to auditor	265	273

The amounts payable to the auditor relating to the audit of the Company was £2,664 (2021: £2,538).

11 Income tax

Tax charged/(credited) in the income statement

Group	2022 £ 000	2021 £ 000
Current taxation		
Corporation tax relating to the current year	3,148	2,876
UK corporation tax adjustment to prior periods	(311)	(11)
	2,837	2,865
Deferred taxation		
Deferred tax relating to the current year	156	1,512
Deferred tax change arising from rate change	74	4,047
Deferred tax arising from prior periods	122	368
Total deferred taxation	352	5,927
Tax expense in the income statement	3,189	8,792

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

Group	2022 £ 000	2021 £ 000
Profit before tax	17,451	22,662
Corporation tax at standard rate of 19% (2021: 19%)	3,316	4,306
Decrease in current tax from adjustment for prior periods	(311)	(11)
Decrease from effect of capital allowances depreciation	(522)	(281)
Decrease from effect of revenues exempt from taxation	-	70
Increase from effect of expenses not deductible in determining taxable profit (taxable loss)	717	597
Decrease arising from group relief tax reconciliation	-	(304)
Deferred tax expense from unrecognised temporary difference from a prior period	122	368
Deferred tax expense relating to changes in tax rates or laws	61	4,047
Other tax effects for reconciliation between accounting profit and tax income	(194)	-
Total tax charge	3,189	8,792

11 Income tax (continued)

The standard rate of corporation tax in the UK was 19% throughout the accounting period.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase from 19% to 25%. This new rate was substantively enacted in the Finance Bill 2021 and received Royal Assent on 10 June 2021. The deferred tax assets and liabilities at 30 September 2022 have been calculated using the appropriate tax rate based on when the underlying balance is expected to crystallise. For the majority of deferred tax balances, a rate of 25% has been used and reflected in these financial statements (2021:19%). The deferred tax liability in respect of intangible assets has been calculated at the rate it is expected to crystallise which gives rise to an effective rate of 24.7% (2021:24.1%) and IFRS 9 financial asset spreading has been recognised in full at the 25% rate.

Amounts recognised in other comprehensive income

	2022			2021		
	Before tax £ 000	Tax (expense) benefit £ 000	Net of tax £ 000	Before tax £ 000	Tax (expense) benefit £ 000	Net of tax £ 000
Remeasurements of post employment benefit obligations (net)	32	23	55	(4)	1	(3)

Deferred tax

Group

Deferred tax assets and liabilities

2022	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	-	(768)	(768)
Amortisation	-	(17,604)	(17,604)
Pension benefit obligations	79	-	79
Other items	-	382	382
Transition adjustments arising from first time adoption	71	-	71
	150	(17,990)	(17,840)

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

11 Income tax (continued)

2021	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	1,367	-	1,367
Amortisation	-	(19,110)	(19,110)
Pension benefit obligations	55	-	55
Other items	132	-	132
Transition adjustments arising from first time adoption	45	-	45
	1,599	(19,110)	(17,511)

11 Income tax (continued)

Deferred tax movement during the year:

	At 1 October 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 September 2022 £ 000
Accelerated tax depreciation	1,367	(2,135)	-	(768)
Amortisation	(19,110)	1,506	-	(17,604)
Pension benefit obligations	55	1	23	79
Other items	132	250	-	382
Transition adjustments arising from first time adoption	45	26	-	71
Net tax assets/(liabilities)	(17,511)	(352)	23	(17,840)

Deferred tax movement during the prior year:

	At 1st October 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 September 2021 £ 000
Accelerated tax depreciation	3,223	(1,856)	-	1,367
Amortisation	(15,315)	(3,795)	-	(19,110)
Pension benefit obligations	54	-	1	55
Other items	430	(298)	-	132
Transition adjustments arising from first time adoption	23	22	-	45
Net tax assets/(liabilities)	(11,585)	(5,927)	1	(17,511)

There are £28,555 of deductible temporary differences (2021 - £124,103) for which no deferred tax asset is recognised in the statement of financial position.

12 Intangible assets

Group

	Goodwill £ 000	Costs incurred in fulfilling contracts £ 000	Software £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation					
At 1 October 2020	149,770	2,626	1,252	97,389	251,037
Additions	-	1,484	390	-	1,874
At 30 September 2021	149,770	4,110	1,642	97,389	252,911
At 1 October 2021	149,770	4,110	1,642	97,389	252,911
Transfers	-	711	-	1,000	1,711
Additions	-	43	600	-	643
Disposals	-	(263)	-	-	(263)
At 30 September 2022	149,770	4,601	2,242	98,389	255,002
Amortisation					
At 1 October 2020	(8,412)	(2,093)	(1,056)	(14,119)	(25,680)
Amortisation charge	-	(624)	(150)	(7,574)	(8,348)
Reversal of impairment	-	270	195	5,997	6,462
At 30 September 2021	(8,412)	(2,447)	(1,011)	(15,696)	(27,566)
At 1 October 2021	(8,412)	(2,447)	(1,011)	(15,696)	(27,566)
Amortisation charge	-	(831)	(355)	(8,310)	(9,496)
Amortisation eliminated on disposals	-	239	-	-	239
At 30 September 2022	(8,412)	(3,039)	(1,366)	(24,006)	(36,823)
Carrying amount					
At 30 September 2022	141,358	1,562	876	74,383	218,179
At 30 September 2021	141,358	1,663	631	81,693	225,345
At 1 October 2020	141,358	533	196	83,270	225,357

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

12 Intangible assets (continued)

The Group has allocated goodwill to the following cash generating units:

	2022 £ 000	2021 £ 000
Health in Justice	107,727	107,727
Secondary Care	33,631	33,631
	141,358	141,358

Intangible assets comprise the value attributed to ongoing customer relationships within acquired businesses and are amortised over their estimated useful economic lives, which do not exceed twelve years at inception. The useful economic life is determined by reference to the life of the associated contract.

Management believes that goodwill represents value to the Group for which the recognition of a discrete intangible asset is not permitted.

12 Intangible assets (continued)

Impairment testing of intangible assets
The Group has considered the impact of the current economic and market conditions in determining the appropriate discount rate to use in value in use calculations for impairment testing and has applied the following discount rates:

Secondary Care and Health in Justice : 9.8% (2021: 9.1%)
Integrated Urgent Care 9.8% (2021: 7.9%)

The budget and forecast business plans include assumptions of the level of certain key drivers that are assumed to be met to achieve revenue and EBITDA projections as follows:
• Contract retention rates
• Elective surgery referrals
• Inflation

Whilst management is confident that its assumptions are appropriate in light of circumstances at the time of the review, it is possible that circumstances may change. The recoverable amounts calculated on the above basis significantly exceed the carrying values of the cash generating units that include goodwill to the extent that the assumptions made would need to change by a significant amount to eliminate the surplus. As a sensitivity, if discount rates were to increase by 1.0% then the overall Group value in use would reduce by £21m.

(a) Method of impairment testing
The recoverable amount of goodwill and intangible assets allocated to the cash generating units has been determined based on the higher of fair value less costs of disposal and the calculation of the value in use.

For the purposes of calculating the value in use of cash generating units containing goodwill, cash flow projections based on actual operating results and the budget and forecast business plan for the annual plan period of one year with assumed growth of 2% for a further four year period. A terminal value is placed on the value of the annual cash flows in year five. No adjustment is made for the projected terminal value of the net assets of the individual cash-generating units. Cash flows associated with post acquisition investment are included within the calculation. For the purposes of calculating value in use of cash generating units containing other intangible assets, cash flow projections over the remaining life of the underlying contracts, together with extensions based on management's probability weighted expectation of contract renewal where appropriate have been used.

All cash flow projections are based on financial budgets and projections prepared by senior management and approved by the Board of Directors.

Where recoverable amount has been determined using fair value, fair value has been determined using external sources including comparable transactions using profitability/revenue multiples.

During the prior year, an impairment loss relating to the intangible assets within Integrated Urgent Care has been partially reversed to a value of £6,462k.

13 Property, plant and equipment

Group

	Buildings £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	IT equipment £ 000	Total £ 000
Cost or valuation					
At 1 October 2020	5,118	16,278	3,294	956	25,646
Additions	-	5,278	2,751	421	8,450
Disposals	(27)	-	-	-	(27)
Transfers	-	-	14	(14)	-
At 30 September 2021	5,091	21,556	6,059	1,363	34,069
At 1 October 2021	5,091	21,556	6,059	1,363	34,069
Additions	61	2,721	8,689	507	11,978
Disposals	-	(128)	-	(46)	(174)
Transfers	-	1,458	(4,132)	963	(1,711)
At 30 September 2022	5,152	25,607	10,616	2,787	44,162
Depreciation					
At 1 October 2020	(2,077)	(3,757)	(1,685)	(552)	(8,071)
Charge for year	(1,048)	(4,743)	-	(295)	(6,086)
Reversal of impairment	243	124	1,451	25	1,843
Transfers	-	(30)	-	30	-
At 30 September 2021	(2,882)	(8,406)	(234)	(792)	(12,314)
At 1 October 2021	(2,882)	(8,406)	(234)	(792)	(12,314)
Charge for the year	(816)	(5,273)	-	(359)	(6,448)
Eliminated on disposal	-	92	-	33	125
At 30 September 2022	(3,698)	(13,587)	(234)	(1,118)	(18,637)
Carrying amount					
At 30 September 2022	1,454	12,020	10,382	1,669	25,525
At 30 September 2021	2,209	13,150	5,825	571	21,755

13 Property, plant and equipment (continued)

In the prior year, the Group partially reversed an impairment taken on Integrated Urgent Care property, plant and equipment by £1,843k.

See note 12 for full details of the methodology and assumptions applied in the impairment testing process which covers both intangible and tangible assets.

14 Right of use assets

Group

	Vehicles £ 000	Property £ 000	Other £ 000	Total £ 000
Cost or valuation				
At 1 October 2020	508	61,953	19	62,480
Additions	258	947	-	1,205
At 30 September 2021	766	62,900	19	63,685
At 1 October 2021	766	62,900	19	63,685
Additions	262	3,520	9	3,791
Disposals	-	(1,342)	-	(1,342)
At 30 September 2022	1,028	65,078	28	66,134
Depreciation				
At 1 October 2020	(179)	(7,091)	(7)	(7,277)
Charge for year	(215)	(7,072)	(7)	(7,294)
At 30 September 2021	(394)	(14,163)	(14)	(14,571)
At 1 October 2021	(394)	(14,163)	(14)	(14,571)
Charge for the year	(166)	(7,459)	(8)	(7,633)
At 30 September 2022	(560)	(21,622)	(22)	(22,204)
Carrying amount				
At 30 September 2022	468	43,456	6	43,930
At 30 September 2021	372	48,737	5	49,114

15 Investments

Summary of Company investments

	30 September 2022 £ 000	30 September 2021 £ 000
Investments in subsidiaries	115,600	115,600

Subsidiaries	**£ 000**
Cost or valuation	
At 1 October 2020	115,600
At 30 September 2021	115,600
At 1 October 2021	115,600
At 30 September 2022	115,600
Carrying amount	
At 30 September 2022	115,600
At 30 September 2021	115,600
At 1 October 2020	115,600

Details of the Group subsidiaries as at 30 September 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
Practice Plus Group Limited	Struck off in 2022	United Kingdom	0%	100%
Practice Plus Group Holdings Limited	Support function	United Kingdom	100%	100%
Practice Plus Group Primary Care Limited	Primary care services	United Kingdom	100%	100%
Shepton Mallet Health Partnership Limited	Medical Services	United Kingdom	51%	51%

15 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
Practice Plus Group Hospitals Limited	Medical Services	United Kingdom	100%	100%
Practice Plus Group Community Diagnostics Limited	Struck off in 2022	United Kingdom	0%	100%
Practice Plus Group Pharmacy Services Limited	Pharmacy Services	United Kingdom	100%	100%
Practice Plus Group Urgent Care Holdings Limited	Holding Company	United Kingdom	100%	100%
Practice Plus Group H4H Limited	Struck off in 2022	United Kingdom	0%	100%
Practice Plus Group Health and Rehabilitation Services Limited	Prison Healthcare	United Kingdom	100%	100%
Practice Plus Group Urgent Care Limited	Primary Care Services	United Kingdom	100%	100%
Suffolk Integrated Healthcare Limited	In liquidation	United Kingdom	51.47%	51.47%
Practice Plus Group Bidco Limited	Holding Company	United Kingdom	100%	100%
Practice Plus Group Midco 1 Limited	Holding Company	United Kingdom	100%	100%
Practice Plus Group Midco 2 Limited	Holding Company	United Kingdom	100%	100%

All subsidiaries listed above have their registered office at Hawker House, 5-6 Napier Court, Napier Road, Reading, Berkshire, RG1 8BW.

16 Inventories

	Group		Company	
	30 September 2022 £ 000	30 September 2021 £ 000	30 September 2022 £ 000	30 September 2021 £ 000
Medical consumables	1,220	902	-	-

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

17 Trade and other receivables

Current

	Group		Company	
	30 September 2022 £ 000	**30 September 2021 £ 000**	**30 September 2022 £ 000**	**30 September 2021 £ 000**
Trade receivables	7,231	12,504	-	-
Provision for impairment of trade receivables	(135)	(348)	-	-
Net trade receivables	7,096	12,156	-	-
Loans from subsidiary undertakings	-	-	189	185
Loans to related parties	1,437	1,315	1,437	1,407
Prepayments	5,606	4,363	-	-
Other receivables	2,269	2,341	-	1
Accrued income	10,605	9,161	-	-
Income tax asset	1,512	1,268	-	-
	28,525	30,604	1,626	1,593

The Group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

17 Trade and other receivables (continued)

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

Age of trade receivables that are past due but not impaired	Group		Company	
	30 September 2022 £ 000	30 September 2021 £ 000	30 September 2022 £ 000	30 September 2021 £ 000
0 to 30 days	995	807	-	-
31 to 60 days	312	766	-	-
61 to 90 days	132	90	-	-
91 to 120 days	19	46	-	-
Over 120 Days	307	287	-	-
	1,765	1,996	-	-

18 Cash and cash equivalents

	Group		Company	
	30 September 2022 £ 000	30 September 2021 £ 000	30 September 2022 £ 000	30 September 2021 £ 000
Cash on hand	1	1	-	-
Cash at bank	32,098	19,013	9	-
	32,099	19,014	9	-

Restricted cash balances held by the Group

	30 September 2022 £ 000	30 September 2021 £ 000
Restricted cash	-	2,000

As part of the amendments to the Revolving Credit Facility during the prior year, the requirement to maintain a minimum cash reserve has been removed. See note 20 for further details.

19 Trade and other payables

	Group		Company	
	30 September 2022 £ 000	**30 September 2021 £ 000**	**30 September 2022 £ 000**	**30 September 2021 £ 000**
Trade payables	(28,297)	(36,039)	-	-
Accruals	(38,041)	(43,866)	-	-
Social security and other taxes	(5,541)	(4,816)	-	-
Other payables	(1,229)	(977)	(10)	-
Deferred income	(11,634)	(10,526)	-	-
	(84,742)	(96,224)	(10)	-

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

20 Loans and borrowings

	Group		Company	
	30 September 2022 £ 000	**30 September 2021 £ 000**	**30 September 2022 £ 000**	**30 September 2021 £ 000**
Non-current loans and borrowings				
Fees relating to the Revolving Credit Facility	3	44	-	-
Loans from related parties	(66,550)	(65,538)	-	-
	(66,547)	(65,494)	-	-

As part of the financing arrangements pertaining to the acquisition of Practice Plus Group Holdings Limited in October 2019, the Group borrowed £100.0m in loan notes in two tranches from Bridgepoint: £46.6m at zero coupon and £53.4m at 5.5%. Both loans are due to mature in 2029. During the prior year, the Group repaid £40.0m of the £53.4m tranche. The Group has carried out a refinancing exercise, see note 31 for further details.

20 Loans and borrowings (continued)

Bank borrowings

On the 25th October 2019, the Group entered into a £10m Revolving Credit Facility ("RCF"). The RCF attracts interest at LIBOR +2.5% and had a maturity of 25th October 2022. The RCF attracts a financial covenant of £10m minimum consolidated EBITDA, alongside the requirement to supply the lenders with certain financial information within specific deadlines. The RCF is guaranteed on the assets of material subsidiaries of the Group which is defined as all subsidiaries which contribute more than 5% of EBITDA.

Following the COVID-19 pandemic which impacted globally from March 2020, the Group took precautionary steps to increase its liquidity given the uncertainties in the market. The RCF was extended by another £10m for a period of two years from agreed changes and the £10m EBITDA financial covenant was waived to the period ending 31st December 2021. A new financial covenant was put in place which stipulated the Group must maintain a £2m cash reserve.

On the 9th August 2021, following a strong period of EBITDA and increased cash reserves, the Group cancelled the £10m RCF extension, and reduced the original RCF to £5m. The original financial covenant of £10m minimum consolidated EBITDA was restored and the requirement of the Group to maintain a £2m cash reserve was removed and replaced with a £5m overdraft facility.

At 30 September 2022, the Group had no borrowings outstanding under the £5m RCF facility and the £5m overdraft remains undrawn.

Subsequent to the 30 September 2022, the Group has carried out a refinancing exercise. See 31 for further details.

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

21 Other provisions

Group

	Onerous contracts £ 000	Death in custody provision £ 000	Dilapidation provisions £ 000	Total £ 000
At 1 October 2021	(373)	-	(4,218)	(4,591)
Additional provisions	-	-	(61)	(61)
Increase in existing provisions	-	(926)	-	(926)
Provisions used	6	773	-	779
Unused provision reversed	283	-	28	311
Increase due to passage of time or unwinding of discount	-	-	(36)	(36)
Transfer from Accruals	-	(3,639)	-	(3,639)
At 30 September 2022	(84)	(3,792)	(4,287)	(8,163)
Non-current liabilities	(84)	(1,721)	(4,287)	(6,092)
Current liabilities	-	(2,071)	-	(2,071)

The provision for dilapidations relates to the estimated value of obligations in lease agreements to put the leased property back to the state in which it was originally leased. The estimated value has been adjusted for inflation and has been discounted using a discount rate driven by the expected maturity of the liabilities, adjusted for the risks associated with the cashflows. The provision is expected to unwind over a period to 2045.

The Death in custody provision has been reclassified from Accruals to Provisions during the year to reflect the uncertainty around the quantum and timing of the expected cashflows. The provision covers the costs that we expect to incur though an inquest process, typically legal representation in court and advice beforehand, and costs relating to claims raised against us, which again will include legal advice & representation but also potential compensation due to claimants if cases go against us.

22 Pension and other schemes

Defined benefit pension schemes
The Group operates four defined benefit pension schemes mainly for the benefit of employees who have transferred into the Group on TUPE protected terms. These four schemes are all sub-schemes of wider schemes which are administered by separate trustees. The Group is responsible for making good any deficit within these schemes which introduces a number of risks including interest rate risk; inflation risk; investment risk and longevity risk. These risks are managed through appropriate investment and funding strategies.

Prudential Platinum: This scheme has no active members. Its last actuarial valuation was performed at 31 December 2019.

Federated Pension Plan: The Group operates three different sub sections including Urgent Care, Hospitals and Health & Rehabilitation Services. The Hospitals sub scheme was established on 1 September 2019 for the benefit of some specific individuals. The Urgent Care and Health Rehabilitation Services sections had their most recent triennial valuations at 5 April 2019. All three schemes have active members.

The Group notes the further High Court judgement issued on 20 November 2020 relating to Guaranteed Minimum Pension ("GMP") equalisation. However this will not have any impact on the Group's results as although the plans were contracted out, there were no liabilities in respect of pre 6 April 1997 service and therefore no GMP liabilities so is unaffected by this legislation.

Prudential Platinum
The Company participates in the Prudential Platinum Pension - Practice Plus Group Hospitals Limited, a funded defined benefit pension Sub-Scheme in the UK. The Sub-Scheme is administered within a trust which is legally separate from the Company. The Sub-Scheme is set up on a tax relieved basis as a separate trust independent of the Company any is supervised by an independent Trustee. The Trustee is responsible for ensuring that the correct benefits are paid, that the Sub-Scheme is appropriately funded and that Sub-Scheme assets are appropriately invested.

This Sub-Scheme provides pensions and lump sums to members on retirement and to their dependants on death. Members who leave service before retirement are entitled to a deferred pension. The Sub-Scheme closed to accrual of benefits on 30 April 2015.

Regular actuarial valuations of the Sub-Scheme are carried out on a regular basis: usually every three years. These valuations determine the contributions that the Company pays into the Sub-Scheme to ensure it is fully funded. The next actuarial valuation is due to be carried out with an effective date of 31 December 2022.

Responsibility for making good any deficit within the Sub-Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk; inflation risk; investment risk; longevity risk. The Company and Trustee are aware of these risks and manage them through appropriate investment and funding strategies. The Trustee manages governance and operational risks through a number of internal controls policies, including a risk register.

22 Pension and other schemes (continued)

There was a bulk transfer out of a single member which has been allowed for as a settlement during the period.

Contributions payable to the pension scheme at the end of the year are £Nil (2021 - £Nil).

The expected contributions to the plan for the next reporting period are £52k.

The scheme was most recently valued on 31 December 2019.

Federated Pension Plan: Urgent Care
The Urgent Care section of the Federated Pension Plan has 48 past and 6 active employees.

The pension plan is subject to the funding regulations which came into force on 30 December 2025, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension plans in the UK.

There have been no amendments, curtailments or settlements during the year.

The Company has agreed to pay deficit repair contributions of £9.6k per month until 31 March 2023 in addition to £2.4k per month for expenses.

Contributions payable to the pension scheme at the end of the year are £Nil (2021 - £Nil).

The expected contributions to the plan for the next reporting period are £154k.

The scheme was most recently valued on 5 April 2019. The scheme showed a deficit of £311k.

Federated Pension Plan: Hospitals
The Hospitals section of the Federated Pension Plan has 15 active employees.

The pension plan is subject to the funding regulations which came into force on 30 December 2025, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension plans in the UK.

There have been no amendments, curtailments or settlements during the year.

Contributions payable to the pension scheme at the end of the year are £Nil (2021 - £Nil).

The expected contributions to the plan for the next reporting period are £188k.

An initial actuarial valuation was carried out at 1 September 2019 when the scheme was established in order to agree a funding plan.

Federated Pension Plan: Health & Rehabilitation Services
The Health & Rehabilitation services section of the Federated Pension Plan has 26 past employees.

The pension plan is subject to the funding regulations which came into force on 30 December 2025, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension plans in the UK.

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

22 Pension and other schemes (continued)

There was a bulk transfer out of a single member which has been allowed for as a settlement during the period.

Contributions payable to the pension scheme at the end of the year are £Nil (2021 - £Nil).

The expected contributions to the plan for the next reporting period are £49k.

The scheme was most recently valued on 5 April 2019. The scheme showed a surplus of £145k.

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

22 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	Prudential Platinum 30 September 2022 £ 000	FPP: Health & Rehabilitation Services 30 September 2022 £ 000	FPP: Hospitals 30 September 2022 £ 000	FPP: Urgent Care 30 September 2022 £ 000	Total 30 September 2022 £ 000
Fair value of scheme assets	1,851	1,499	1,689	4,446	9,485
Present value of scheme liabilities	(1,478)	(1,816)	(801)	(1,742)	(5,837)
	373	(317)	888	2,704	3,648
Effect of asset ceiling	(373)	-	(888)	(2,704)	(3,965)
Defined benefit pension scheme deficit	-	(317)	-	-	(317)

	Prudential Platinum 30 September 2021 £ 000	FPP: Health & Rehabilitation Services 30 September 2021 £ 000	FPP: Hospitals 30 September 2021 £ 000	FPP: Urgent Care 30 September 2021 £ 000	Total 30 September 2021 £ 000
Fair value of scheme assets	2,879	2,380	850	2,696	8,805
Present value of scheme liabilities	(2,351)	(2,781)	(1,352)	(2,615)	(9,099)
Defined benefit pension scheme surplus/(deficit)	528	(401)	(502)	81	(294)

The disclosures required by IAS19 have been prepared on an aggregated basis rather than on a scheme basis on the grounds that none of the schemes are individually significant.

22 Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	30 September 2022 £ 000	30 September 2021 £ 000
Fair value at start of year	8,805	8,328
Interest income	181	137
Return on plan assets, excluding amounts included in interest income/(expense)	294	199
Employer contributions	405	433
Contributions by scheme participants	46	49
Benefits paid	(136)	(130)
Assets distributed on settlements	-	(93)
Administrative expenses paid	(110)	(118)
Fair value at end of year	9,485	8,805

Analysis of assets

The major categories of scheme assets are as follows:

	30 September 2022 £ 000	30 September 2021 £ 000
Cash and cash equivalents	37	104
Equity instruments	2,226	4,060
Debt instruments	6,240	4,641
Investment funds	982	-
	9,485	8,805

Actual return on scheme's assets

	30 September 2022 £ 000	30 September 2021 £ 000
Actual return on scheme assets	475	336

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

22 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	30 September 2022 £ 000	30 September 2021 £ 000
Present value at start of year	(9,099)	(8,610)
Current service cost	(344)	(315)
Past service cost	-	(8)
Actuarial gains and losses arising from changes in demographic assumptions	129	8
Actuarial gains and losses arising from changes in financial assumptions	4,103	(296)
Actuarial gains and losses arising from experience adjustments	(529)	85
Interest cost	(187)	(143)
Benefits paid	136	130
Contributions by scheme participants	(46)	(49)
Liabilities extinguished on settlements	-	99
Present value at end of year	(5,837)	(9,099)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are below. These assumptions are the average assumptions across all four defined benefit schemes.

	30 September 2022 %	30 September 2021 %
Discount rate	5	2
Future salary increases	3	3
RPI Inflation	4	4

Post retirement mortality assumptions

	30 September 2022 Years	30 September 2021 Years
Current UK pensioners at retirement age - male	86	86
Current UK pensioners at retirement age - female	89	89
Future UK pensioners at retirement age - male	88	88
Future UK pensioners at retirement age - female	90	90

22 Pension and other schemes (continued)

Amounts recognised in the income statement

	30 September 2022 £ 000	30 September 2021 £ 000
Amounts recognised in operating profit		
Current service cost	344	315
Past service cost	-	8
Losses/ (gains) on curtailments and settlements	-	(6)
Admin expenses paid	110	118
Recognised in arriving at operating profit	454	435
Amounts recognised in finance income or costs		
Net interest	6	6
Total recognised in the income statement	460	441

Amounts taken to the Statement of Comprehensive Income

	30 September 2022 £ 000	30 September 2021 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	129	8
Actuarial gains and losses arising from changes in financial assumptions	4,103	(296)
Actuarial gains and losses arising from experience adjustments	(529)	85
Return on plan assets, excluding amounts included in interest income/(expense)	294	199
Changes in the effect of the asset ceiling	(3,965)	-
Amounts recognised in the Statement of Comprehensive Income	32	(4)

23 Share capital

The Company has issued 115,600,000 ordinary A shares with nominal value of £1 per share (2021: 115,600,000 shares of £1 each) and 200,000 ordinary B shares with a nominal value of £1 each (2021: 200,000 shares of £1 each. Total ordinary share capital has a carrying value of £115,600,000 (2021: £115,600,000). At 30th September 2022, 6,000 B Ordinary Shares were held by the Employee Benefit Trust (2021: 14,000 shares).

See note 25 for further details regarding related party transactions.

24 Leases

The Group uses leases across its business as a means of obtaining the right of use assets without taking on legal ownership. These primarily include leases relating to property within Secondary Care and Integrated Urgent Care as well as leases relating to vehicles. Lease payments are generally fixed with annual rent reviews linked to inflation. The Group does not have any leases with variable payments based on any other indices or inputs.

The right of use asset relating to leased assets is disclosed separately on the face of the Statement of Financial Position.

There are no leases within the Company.

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

24 Leases (continued)

Group

Lease liabilities maturity analysis
A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	30 September 2022 £ 000	30 September 2021 £ 000
Less than one year	6,678	8,436
2 years	5,183	5,711
3 years	4,370	5,124
4 years	4,166	4,457
5 years	3,932	4,148
6 years	3,331	3,974
7 years	2,950	3,411
8 years	2,950	2,873
9 years	2,950	2,873
10 years	2,225	2,873
Between 10 to 15 years	11,123	10,738
More than 15 years	13,632	15,442
Lease liabilities (undiscounted)	**(63,490)**	**(70,060)**
Impact of discounting	17,809	19,207
Lease liabilities (discounted)	**(45,681)**	**(50,853)**

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	30 September 2022 £ 000	30 September 2021 £ 000
Right of use assets	8,900	8,851

Amounts taken to income statement related to leases are presented in the table below:

Amounts included in profit or loss:	30 September 2022 £ 000	30 September 2021 £ 000
IFRS lease reversals	(8,840)	(8,672)
Interest payable - Finance lease interest	1,928	2,130
Depreciation right of use asset	7,633	7,294
Total charge	721	752

25 Share-based payments

On the purchase of Practice Plus Group Holdings Limited (formerly Care UK Healthcare Holdings Ltd) on 25th October 2019, certain senior management were invited to become shareholders in the Company. These management were entitled to purchase B Ordinary shares at a price reflecting the fair value of the shares on the date of issue and the terms and conditions attached to the shares. The fair value of the shares acquired was measured at the grant date using the estimated enterprise value of the business, and market conditions such as the management estimate of exit date. These shares entitle management to a certain level of return in the case of any sale by the controlling party, subject to certain value thresholds being met. To qualify, the management must be employed by the Group at the point of sale. If management leave the business, then it is anticipated that their shares will be repurchased by either other employees or the employee benefit trust.

These shares have been accounted for as equity settled share based payments. The issue of the shares resulted in an increase in equity for the fair value of the shares issued. Given management paid fair value for the equity instruments, there was no impact in the income statement. In total 164,000 shares were issued at a price of £6.65 each.

During the financial year 2021 an additional 36,000 shares were issued at a price considered to be fair value of £12.87 each. Management subscribed a certain element of cash relating to the shares, with the balance representing a loan to the Company, payable at the point of any future sale. See note 30 for details of related party transactions. In addition, the Employee Benefit Trust ("EBT") purchased 14,000 shares when a shareholder ceased their employment within the Group.

During the year end 30 September 2022, the EBT issued 8,000 shares to senior management on the same terms as the shares issued during the prior year.

26 Contingent liabilities

Group

In the event that the Group fails to comply with covenants in the Revolving Credit Facility, then the assets of certain guarantee companies within the Group could be surrendered to the Lenders in settlement of any liabilities unpaid. At 30 September 2022, there is a nil balance outstanding to Lenders.

HMRC are currently reviewing the employment status of self-employed clinicians working in the Out of Hours business as part of a sector-wide review of employment status within the Healthcare sector. HMRC have expressed their initial view that the self-employed clinicians appear to be disguised employees of the Group. However, the Group has been invited to present its view which remains that there is insufficient control or mutuality of obligation for an employment relationship to exist. If HMRC conclude that any or all of the self-employed clinicians should have been engaged as employees for tax purposes, the Group will be liable for any historic income tax and national insurance contributions which have not been settled by those individuals themselves.

The Group has been in negotiation with the NHS regarding certain employees who are in receipt of defined pension benefits. These specific employees were working in services which the Group is no longer party to and therefore there is an expectation that the defined benefit liabilities should be transferred back to the NHS. Agreement has not yet been reached about whether any top-up payment is required.

27 Analysis of changes in net debt

Group

	At 1 October 2021 £ 000	Financing cash flows £ 000	Accrued interest £ 000	Operating Cashflow £ 000	At 30 September 2022 £ 000
Cash and cash equivalents					
Cash	19,014	-	-	13,121	32,135
	19,014	-	-	13,121	32,135
Borrowings					
Long term borrowings	(65,538)	-	(1,012)	-	(66,550)
	(65,538)	-	(1,012)	-	(66,550)
	(46,524)	-	(1,012)	13,121	(34,415)

27 Analysis of changes in net debt (continued)

	At 1 October 2020 £ 000	Financing cash flows £ 000	Accrued interest £ 000	Operating Cashflow £ 000	At 30 September 2021 £ 000
Cash and cash equivalents					
Cash	26,342	-	-	(7,328)	19,014
	26,342	-	-	(7,328)	19,014
Borrowings					
Long term borrowings	(102,744)	40,000	(2,794)	-	(65,538)
Total net debt	(76,402)	40,000	(2,794)	(7,328)	(46,524)

28 Financial risk review

Group

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

Liquidity risk

Maturity analysis for financial liabilities and financial assets

The following table sets out the remaining contractual maturities of the Group's financial liabilities and financial assets by type.

2022 Non-derivative assets	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000
Trade receivables	7,096	7,096	-	-	-
Accrued income	10,605	2,849	737	7,019	-
Other receivables	2,269	2,206	-	-	63
Cash and short-term deposits	32,099	32,099	-	-	-

2022 Non-derivative liabilities	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000
Trade creditors	(28,297)	(13,496)	(11,906)	(2,896)	-
Accruals	(38,041)	(13,744)	(24,297)	-	-
Other payables	(1,229)	(1,229)	-	-	-
Loan Notes	(66,550)	-	-	-	(66,550)

28 Financial risk review (continued)

2021 **Non-derivative assets**	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000
Trade receivables	12,504	12,504	-	-	-
Accrued income	9,161	2,347	1,234	5,580	-
Other receivables	3,656	3,536	-	-	120
Cash and short-term deposits	19,014	19,014	-	-	-

2021 **Non-derivative liabilities**	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1- 5 years £ 000
Trade creditors	(36,039)	(20,314)	(3,783)	(11,942)	-
Accruals	(43,866)	(14,533)	(23,831)	(3,703)	(1,799)
Other payables	(977)	(977)	-	-	-
Loan Notes	(65,538)	-	-	-	(65,538)

Market risk

The following table sets out the allocation of assets and liabilities subject to market risk;

2022

	Carrying amount £ 000
Assets subject to market risk	
Cash and short-term deposits	32,099
Liabilities subject to market risk	
Amounts owed to related parties	(66,550)

28 Financial risk review (continued)

2021

	Carrying amount £ 000
Assets subject to market risk	
Cash and short-term deposits	19,014
Liabilities subject to market risk	
Amounts owed to related parties	(65,538)

Interest rate risk

The Group is exposed to interest rate risk from its cash holdings, amounts owed to related parties and any amounts borrowed under the Revolving Credit Facility. Cash is placed on short-term deposit in order to maximise interest returns, and ensure flexible cash management. Amounts owed to related parties attract interest at a fixed rate which mitigates the risk of any impact on the income statement from changes in interest rates. The Revolving Credit facility which has been undrawn throughout the year attracts a floating rate of interest. The Group takes no specific measures to mitigate against floating rate interest changes as usage of the RCF is expected to be insignificant.

Capital risk management

Capital components
The Group has been financed via a blend of both debt and equity from its shareholder.

Externally imposed capital requirements
There are no externally imposed capital requirements relating to either the Company or the Group.

Capital management
From a capital management perspective, the Group focuses on its net debt which is considered to be its cash and cash equivalents, less any external borrowings under the Revolving Credit Facility or overdraft arrangement.

29 Related party transactions

The Group has identified related party relationships with its subsidiaries, key management personnel and Directors and BEP IV (Nominees) Limited, the nominee vehicle for Bridgepoint Europe Portfolio IV LP.

Key management personnel
The Group has identified members of the Senior Leadership Team and the Directors as the key management of the Group

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

29 Related party transactions (continued)

Key management compensation

	30 September 2022 £ 000	30 September 2021 £ 000
Salaries and other short term employee benefits	1,917	2,094
Post-employment benefits	88	87
	2,005	2,181

Loans to related parties

2022	Key management £ 000
At 1 October 2021	1,315
Advanced	95
Interest charged	27
At 30 September 2022	1,437

2021	Key management £ 000
At1 October 2020	948
Advanced	427
Repaid	(82)
Interest charged	22
At 30 September 2021	1,315

Loans from related parties

2022	Parent £ 000
At start of period	(65,538)
Interest charged	(1,012)
At end of period	(66,550)

2021	Parent £ 000
At start of period	(102,744)
Repaid	40,000
Interest charged	(2,794)
At end of period	(65,538)

29 Related party transactions (continued)

Terms of loans from related parties

As part of the financing arrangements pertaining to the acquisition of Practice Plus Group Holdings Limited during the year ended 30 September 2020, the Group has borrowed £100.0m in Loan Notes from Bridgepoint. £46.6m at zero coupon and £53.4m at 5.5%. Both loans are due to mature in 2029. During the year ended 30 September 2021, the Group repaid £40.0m of the £53.4m tranche. These loans have been repaid in full after the end of the year. See post balance sheet event note for further details.

30 Parent and ultimate parent undertaking

The ultimate controlling party is BEP IV (Nominees) Limited, the nominee vehicle for Bridgepoint Europe Portfolio IV LP. The ultimate parent company for BEP IV (Nominees) Limited is Bridgepoint Group Limited. Other than Atlantic Investments Holdings Limited, no person has a 25% interest or more in Bridgepoint Group Limited. No individual has a 10% interest or more in Atlantic Investments Holdings Limited.

The Company's immediate parent is BEP IV (Nominees) Limited.

The most senior parent entity producing publicly available financial statements is Practice Plus Group Topco Limited. These financial statements are available upon request from
Hawker House,
5-6 Napier Court,
Napier Road,
Reading,
Berkshire,
RG1 8BW

31 Non adjusting events after the financial period

On 2nd November 2022, the Group signed a new Senior Facilities Agreement for £120m. This comprises two tranches- a £100m Term Loan B, repayable on 18th November 2029; and a £20m Revolving Credit Facility ("RCF"), repayable on 18th May 2029. The Term Loan of £100m was drawn in full on 18th November 2022 and bears interest at a rate of SONIA +6.5%. £5m of the RCF has been scoped as an overdraft facility, with the remaining £15m available for RCF drawdowns. The RCF bears interest at SONIA +3.75%.

The Group has incurred fees directly relating to the re-financing of 2.75% of the Term Loan B amount which was deducted from the proceeds, and 3% fee on the RCF which will be paid at a later date.

The Group has repaid the £66.7m of Loan notes and accrued interest and paid a dividend of £53.3m to its shareholder.