PACIFIC SMILES GROUP

Annual Report 2023

Contents

Our true purpose is to improve the oral health of ALL Australians to world's best.

2023 Performance Highlights

Patient Fees	Dental Centres	Underlying NPAT*
$270.5m	130	$4.5m
▲ 19.5%	▲ 2.4%	* excludes AASB 16 impacts

Same Centre Growth	Underlying EBITDA	Ordinary Dividends
14.9%	$24.1m	2.62cps
	▲ 113.3%	▲ 2.62cps

2023 Operational Snapshot

New Dental Centres	Dentist Retention	Number of Dentists
4	85%	>900

New Dental Chairs	Net Promoter Score	Employee Retention
11	90	75%

Chairperson & Interim CEO Report

Zita Peach & Paul Robertson

Dear Shareholder

FY 2023 has seen a welcome return to stable operating conditions and improvement in financial performance for Pacific Smiles, underpinned by the return of patients to their normal dentist visitation patterns and organisational focus on efficiency and sustainable growth.

Financial year 2023 has been a year of renewal for Pacific Smiles following the interference caused by the COVID-19 pandemic over the previous three years, and we have welcomed the return of many patients to our dental centres. Furthermore, dentists continue to choose Pacific Smiles in pleasing numbers, reflecting the attractive and flexible offering that our organisation affords. These professionals continue to choose our services and facilities as we offer them something quite unique, and we continue to invest in our value proposition to them.

FY 2023 Year in Review

All key operational metrics for Pacific Smiles trended positively in FY 2023, culminating in a strong improvement in financial performance. Rising patient attendances, along with efforts to maximise operational efficiency, saw earnings recover markedly from a COVID-affected FY 2022. This was reflected in very strong cash generation, which has put Pacific Smiles back in a net cash position.

We now have 130 Dental Centres and 8 HBF Dental Centres, with 545 Dental Chairs in Pacific Smiles centres and 37 chairs in HBF Dental centres. In FY 2023 we opened 4 new Pacific Smiles dental centres and installed 17 new chairs, with new chairs driven by both the new centres and from in-filling chairs in existing centres. The number of new dental centres we opened was deliberately moderated this year following the accelerated rate of expansion of previous years. The ramp-up and growth of our new centres is a key priority for the management team.

We are also thrilled with the successful continuation and expansion of our partnership with HBF under a managed services agreement to build and run dental centres for the health fund in Western Australia. Two full financial years into its existence, HBF Dental continues to make pleasing progress and grow a meaningful presence in the Western Australian dental market. The HBF Dental Network finished FY 2023 with 8 centres, including two new centres (Belmont and Floreat).

Returning the broader business to optimal levels of operating efficiency, and support office size, as patient and dentist attendance patterns normalised, was a key focus for management this year. Stabilisation of rostering drove a material improvement in labour efficiency, while we are always mindful of balancing operational efficiency with appropriate levels of support for dentists. We are particularly proud to report that our patient Net Promoter Score remains at a very high level, which is evidence of the great work being performed across our centres.

Our improved financial performance generated strong cashflows, which resulted in a return to a net cash position of $9.6m at financial year end and allowed the Board to resume dividend payments. A final dividend of 2.27 cents per share was declared, reflecting a payout ratio for full year 2023 at the top end of the Board-approved dividend policy range.

In August 2023 we bid farewell to our CEO of five years, Phil McKenzie. The Board would like to thank Phil for his significant contribution to Pacific Smiles. He was an energetic leader who led the business during a period of expansion, with Pacific Smiles growing from around 80 to 130 centres during his tenure. He has helped build a strong base and positioned the business for continued success, and we wish him well.

Paul Robertson, our former Chief Commercial Officer, has agreed to step into the role of interim CEO while a search for a new CEO is undertaken. Paul has been with Pacific Smiles for 15 years and has a deep understanding of the business and its people.

This year we have enabled key leadership opportunities at the Executive Leadership Team level. While more than 90% of our field leadership positions are held by women, we have also increased female representation at the executive level. Ciara Rocks commenced as Chief Operating Officer during the year, having previously held the role of Chief Marketing Officer, and Louise Hayes was promoted to Executive General Manager – People & Culture. These were both internal promotions of high-calibre female executives.

Departures from the Pacific Smiles Board over the year include Mr Andrew Knott following the December 2022 EGM and the resignations of Mr Hilton Brett in June 2023 and Mr Simon Rutherford, effective at the conclusion of the 2023 AGM.

Andrew joined the board earlier in 2022 and once again we thank him for his contribution to the Board over that period. Hilton was a Non-executive director for five years, and we extend our gratitude for his service to our company throughout this time. He was a guiding force for the growth of Pacific Smiles, and we wish him all the very best. Simon's departure is a sad moment for the Company. Simon was a founding director of Pacific Smiles at the time of its IPO in 2014 and he has made a significant contribution to its growth and success. He has been an unwavering advocate of the company and an active contributor to protecting our strong financial position. He has been a highly dedicated and respected Board member.

We are very pleased to welcome new Non-executive Director appointments to the Pacific Smiles Board, including Ms Jodie Leonard and Mr Steven Rubic in May 2023, and Ms Giselle Collins in September 2023, pending approval by shareholders at the 2023 AGM.

Jodie brings over 30 years' experience in various marketing roles at firms including as Chief Marketing Officer of GE Capital, while Steven has over 30 years' experience in senior leadership roles, most recently as CEO of private healthcare provider Healthscope. Giselle has significant experience in property, tourism and financial services, as well as having worked in professional services with KPMG in Sydney, London and Switzerland. Board renewal has been a focus for Pacific Smiles, and these additions further build out expertise in key areas.

Outlook

Overall dental sector dynamics remain positive for Pacific Smiles, with appointment volume growth still strong and patient cancellation rates moderating as we move past the pandemic.

Looking ahead there are several demand factors underpinning the favourable outlook for Pacific Smiles, including the ageing population in Australia (demand for dental services is highest amongst the elderly), stable private health insurance participation rates, our access to Preferred Provider Agreements (PPAs) with health funds, and the rising demand for cosmetic dentistry.

The dental services industry also remains highly fragmented, which leaves significant scope for Pacific Smiles to grow further. We will continue to capitalise on market opportunities by adding new dental centres in areas that maximise efficiencies and economies of scale, at a rate that aligns with sensible management of our balance sheet and use of capital.

Finally, we believe that dentist service organisations such as Pacific Smiles will grow in popularity as a destination for dentists to practice. Following the pandemic, it has become evident that the risks and complexity required for practitioners to run their own business have grown, while the costs of establishing and running them is increasing. Pacific Smiles offers safe harbour for people who simply want to be great dentists and focus on increasing their skills and scope of practice. We offer great training, upskilling, and mentoring to further add to these dentists' professional development.

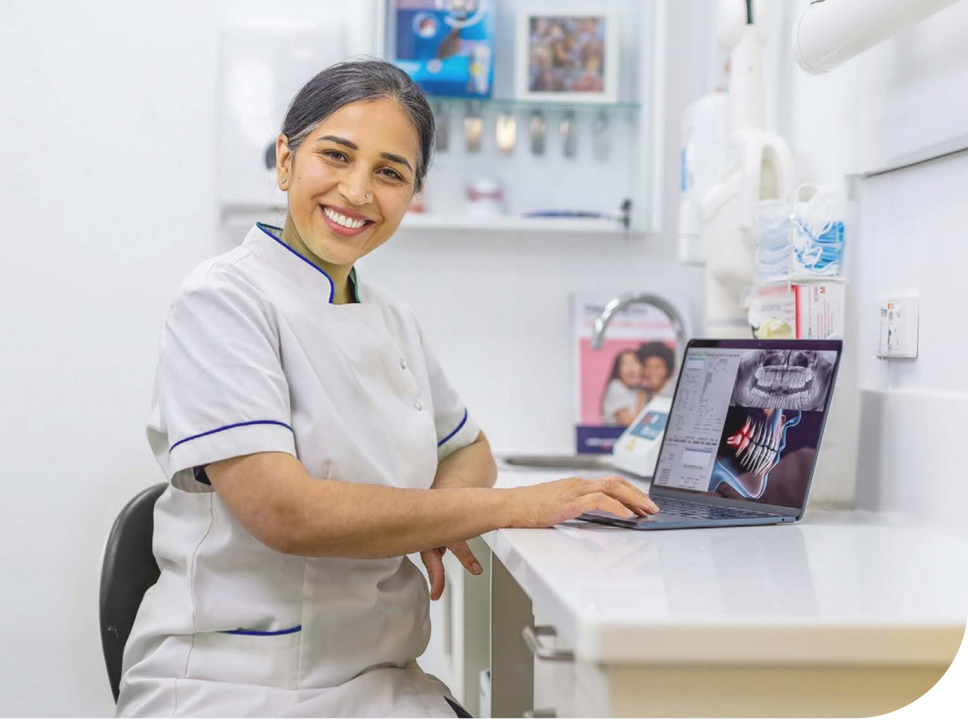
Pacific Smiles is a growth business that will continue to draw from three key pillars to increase our scale and profitability. Firstly, through same centre patient fee growth from our more mature centres, underpinned by a combination of service mix uplift, value added dentistry and productivity improvements as practitioners develop and upskill. Secondly, via the maturation of our newer centres as they ramp up and grow with more patients and more practitioners, providing the opportunity to add chairs to fill capacity and meet this demand. Thirdly, we will continue to build more new centres in high quality locations at a manageable rate, reflecting the capacity of the organisation to grow sustainably and profitably.

Finally, we would like to thank our shareholders for their continued support along with our hardworking people, who remain focused on delivering the best possible services and facilities to the dedicated dentists who choose to practice with us. Providing dentists with the best possible experience in our centres allows them to deliver outstanding oral care to their patients. We would also like to thank the dentists who choose to practice in Pacific Smiles facilities, for the excellent quality of care they provide to their patients.

Zita Peach
Chairperson

Paul Robertson
Interim CEO

Business Review



FY 2023 was a year of consolidation and focus on financial and operational improvement for Pacific Smiles, as the Company entered a more normal operating environment post the disruption of the pandemic and a period of significant investment in new centres in the previous two financial years.

The core proposition remains unchanged. Pacific Smiles provides dentists with fully serviced and equipped facilities providing support staff, materials, marketing and administrative services, that delivers them the benefit of more flexibility and time to focus on their patients and offer exceptional patient care.

Business and financial performance has improved markedly, with a particularly strong second half of the financial year that culminated in full year results as follows:

- Underlying net profit after tax ("NPAT") of $4.2m increased from an underlying net loss after tax of $2.5m, an increase of 265.4%.
- Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") (excluding AASB 16) increased from $11.3m to $24.1m an increase of 113.9%.
- Patient fees up 19.5% year on year to $270.5m.
- Group revenue up 18.5% year on year to $165.3m.
- 4 new centres opened in Endeavour Hills (VIC), Chermside (QLD), Maroochydore (QLD) and Bankstown (NSW).
- HBFD opened its eighth centre and delivered over 38,000 appointments, an increase of 111% over the prior year.
- Reintroduction of dividends.
- Net debt decreased from $6.7m to a net cash position of $9.6m.

The FY 2023 results reflect the Company's strategy to leverage investments in existing centres and capitalise on new centre growth in FY 2021 and FY 2022 to drive profitability. Moderate new centre growth in FY 2023, combined with improved operational and financial performance, resulted in a material deleveraging of the balance sheet.

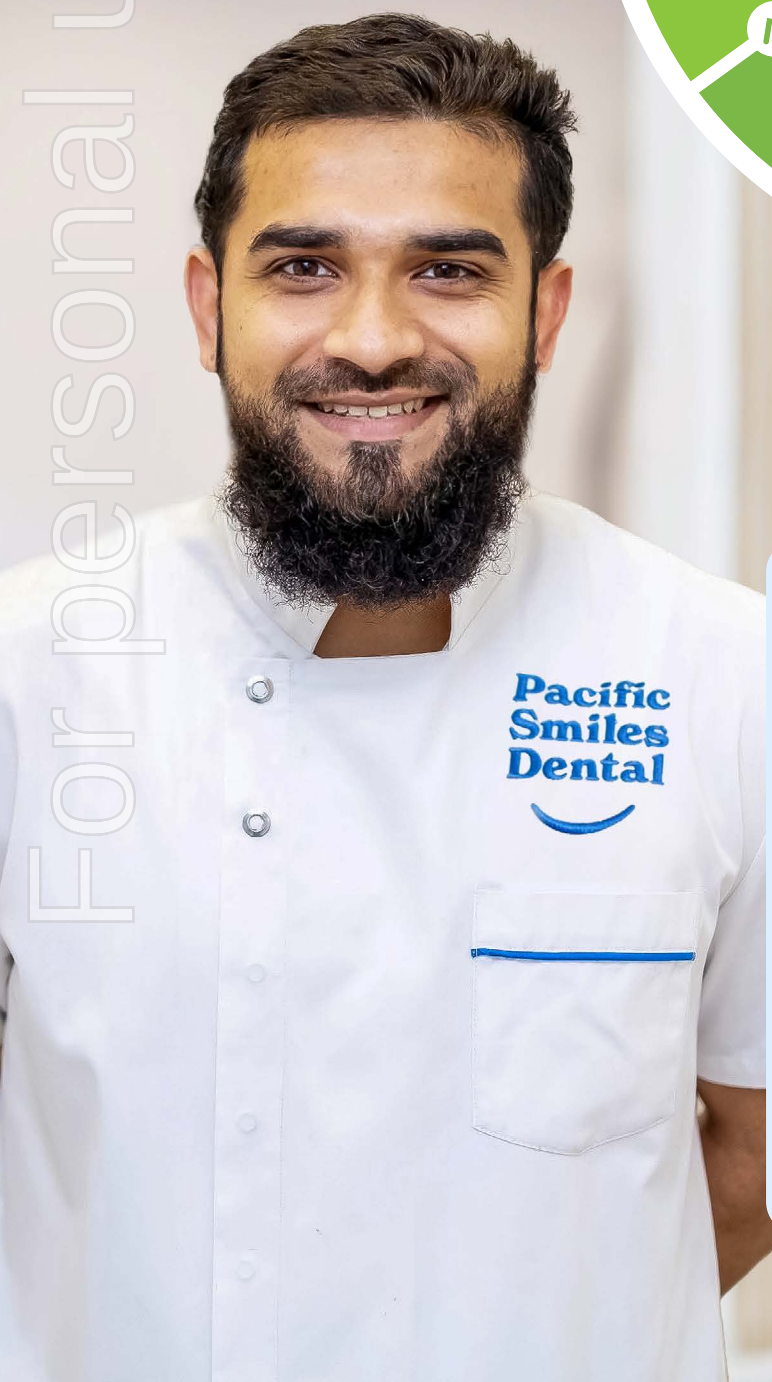
The operational overview and insights discussions will focus on the underlying results for FY 2023 and the comparative period, excluding the impacts of AASB 16. While AASB 16 provides a more accurate representation of the Company's financial obligations and assets related to leases, removing the effects of the accounting standard provides a clearer picture of operational performance and helps with comparing the current financial results with historical data and similar companies. AASB 16 includes interest and depreciation expenses instead of lease expenses, thereby improving the earnings before interest and depreciation (EBITDA) result without a change to the operational performance of the Company. To exclude the impacts of AASB 16, the Company has replaced the depreciation and interest expenses associated with the lease assets and liabilities with the lease cash payments. This reduces the EBITDA result. Reporting on underlying EBITDA that removes these impacts focuses on the core performance of the Company.

Company Strategic Pillars

Pacific Smiles has a clear focus on strategic drivers of the business. Core pillars of the strategy are as follows:

Strong and Engaged Culture	Investment in dentist, their patients and employee experience is a core pillar of the strategy and is measured via Engagement and Net Promoter scores (NPS) research.
Operational Excellence	Operational efficiency, productivity and economies of scale are driven by leveraging investments in systems, core processes and infrastructure.
Network Growth	Measured investment in value-enhancing new centres whilst balancing profit growth with prudent capital management.
Same Centre Growth	Leveraging growth in the existing portfolio of dental centres whilst adding additional capacity from new chairs and practitioners.
Innovation	Ongoing investment in enhanced tools, systems and processes to deliver an improved experience to dentists and their patients, as well as employees.
Total Shareholder Returns	Maximising the return on equity for shareholders by increasing profitability that drives greater total shareholder returns.

Why Dentists Choose Pacific Smiles



Dr Rizvi Mahamud

Long-term Practitioner with PSG

Pacific Smiles Dental North Lakes

For over 10 years, Dr Rizvi Mahamud has been successfully growing his practice from Pacific Smiles Dental North Lakes. With a special interest in implants, extractions, cosmetic and restorative dentistry, Rizvi delivers a commitment to comprehensive patient care. He has previously been a member of the Dental Advisory Committee and he is a mentor and advocate for continuous learning.

Statutory results

Statutory net profit after tax for the year was $2.4m. This result has increased 153.4% from the FY 2022 statutory net loss after tax of ($4.5m). The statutory results for the year were driven by increased patient volumes and improved operational efficiency in the second half which delivered lower costs and improved margins.

Underlying Results

The consolidated entity's underlying EBITDA, excluding the impact of AASB 16, increased 113.9% to $24.1m compared with the previous financial year. The reconciliation of statutory net profit/(loss) before tax to underlying EBITDA pre-AASB 16 is shown in the table below.

		2023 $'000	2022 $'000
Statutory net profit/(loss) before tax		**3,923**	**(6,537)**
Depreciation and amortisation expense		30,192	26,324
Net finance cost		4,343	3,821
Statutory EBITDA		**38,458**	**23,607**
Severance expenses removed	1	242	232
Executive Long-Term Incentive plan expense	2	704	2,271
Additional costs associated with the December Extraordinary General Meeting	3	536	–
Flood damaged asset write-offs		–	355
Net flood insurance recoveries associated with FY 2022 loss	4	(646)	–
Workers compensation insurance premium adjustments for prior years	5	238	–
Impact of prior years' payroll tax determination	6	1,174	–
Adjustment to pre-AASB 16 basis	7	(16,597)	(15,196)
Underlying EBITDA pre-AASB 16		**24,109**	**11,270**

Note 1 – All termination and redundancy severance expenses have been removed as non-underlying cost as these are one-time expenses that do not reflect regular payroll expenses and including them distorts true changes in ongoing employee expenditure.

Note 2 – Similarly, the long-term incentive costs for the Executive team have been removed as these expenses are tied to specific performance criteria and do not reflect regular salary and benefits. Further, the adjustment outlined reflects that no new performance rights were issued under the Long-Term Incentive Plan during the financial year and that Tranche 5 did not vest in FY 2023.

Note 3 – The additional costs associated with the December Extraordinary General Meeting refers to the legal and consulting costs that were borne as a consequence of the Section 249D notice that resulted in an Extraordinary General Meeting being called on 19 December 2022.

Note 4 – The PSG dental centre located in Lismore was damaged in a major flood event on 28 February 2022. This centre was not able to be restored and the decision was made to close the centre. The net flood insurance recoveries reflects the additional insurance monies received up to when the claim was finalised in January 2023.

Note 5 – During the year, PSG received premium adjustment notices regarding workers compensation premiums for prior financial years. As these are considered a change in estimate, they have been paid and included in the statutory result, however, they have been excluded from the underlying result as they relate to prior years' expenditure.

Note 6 – The prior year payroll tax determination represents the total amount paid for payroll tax and interest relating to the four financial years 2019 to 2022. It includes an estimate of the outstanding liability for payroll tax (including estimated interest) as determined by the NSW State Revenue Office (SRO) as well as an estimate for other jurisdictions for the same financial year periods. It also includes legal costs incurred during the NSW SRO audit.

Note 7 – Several adjustments to the profit and loss statement are made to reverse the impacts of the AASB 16 Leases standard and return the EBITDA result to one that is comparable to prior periods. The cash payments for leases and sub leases are included in underlying EBITDA.

Underlying NPAT increased 265.4% to $4.2m compared to ($2.5m) in the prior year.

Depreciation and amortisation costs (excluding the impact of AASB 16) totalled $16.4m, an increase of $1.3m on the prior period.

Summary of key financial results and metrics are as follows:

Group Financial Performance	Underlying[1]	Underlying[1]	Change
$ millions	**2023**	**2022**	
Revenue	165.3	139.5	18.5%
Gross profit[2]	157.4	132.8	18.5%
EBITDA	24.1	11.3	113.3%
EBIT	7.7	(3.9)	nm
Net profit after tax	4.2	(2.5)	nm
Operating metrics			
Number of Dental Centres	130	127	2.4%
Commissioned Dental Chairs	545	534	14.3%
Patient Fees ($m)	270.5	226.4	19.5%
Same Centre Patient Fees growth	14.9%	(10.1%)	
Financial metrics			
Underlying earnings per share (cents)	2.6	(1.6)	
EBITDA margin	14.6%	8.1%	
EBITDA to Patient Fees margin	8.9%	5.0%	
EBIT margin	4.7%	(2.8%)	

1. Underlying result includes the adjustments outlined in the table above.
2. Gross profit is defined as revenue, plus other income less direct expenses as disclosed in the consolidated statement of profit and loss.

Revenue

Group revenue is $165.3m, an increase of 18.5% over the previous financial year. Revenue consists mainly of service fees charged to the dentists who practice from our centres. The increase in revenue is driven by an increase in patient volume following a return to more stable trading conditions, with the prior year impacted by the COVID-19 pandemic.

Patient fees increased 19.5% over the previous year to $270.5m, with same centre fees increasing 14.9%. New centres that opened in FY 2021 and FY 2022 that had been performing below the pre Covid new centre run rate, delivered year-on-year improvements and are returning towards ordinary course expectations.

Total practitioner hours increased 13.3% in FY 2023 to approximately 690,000 hours, and the total number of appointments attended increased 16.0% to 1.0 million.

Many Australians who avoided seeing a dentist during the pandemic have steadily returned to pre-pandemic visitation patterns. Patients of Pacific Smiles dentists on average attend the dentist 1.95 times each year. During the pandemic, this fell to an average of approximately 1.63 visits per annum. In FY 2023, this returned to 1.96 visits per annum. Furthermore, it has become evident that there is an increasing prevalence of more complex needs arising due to many patients missing preventative appointments, and restorative treatments as a percentage of the overall treatment mix increasing in FY 2023 compared to the previous year.

Expenses

EBITDA margins, both at a centre level and group level improved materially in FY 2023, reflecting both revenue growth and focused expense management. Managing the efficiency of the dental centre workforce as the Company emerged from a complicated and interrupted operating environment during the pandemic remained a priority. The staff to practitioner ratio (measured as the number of staff hours worked to dentist hours worked) spiked during this period due to the complexity of managing increased appointment cancellations and withdrawal of services by practitioners. This ratio reduced towards the end of the first half of FY 2023 and, pleasingly, approached pre-pandemic levels by year end.

In relation to other areas of expenditure, the following is noted:

- Consumable supply expenses increased 7.3% to $13.2m from $12.3m in the prior period. However, proactive efforts to manage inventory combined with strong partnerships with suppliers achieved a 0.6% reduction in total consumable expenses as a proportion of patient fees, decreasing the ratio from 5.4% to 4.9%.
- Occupancy costs including lease payments increased 7.5% to $20.9m in FY 2023 versus $19.5m in the prior period. Approximately $0.9m of this increase is attributed to annual lease increases, while a full year of new centres opened in FY 2022 and new centres opened during the financial year contributed $1.0m and $0.3m to occupancy costs respectively. Pleasingly, proactive management decisions including relocating the Bendigo and Chatswood centres as well as downsizing the nib Melbourne centre, yielded over $0.6m in cost savings compared to the previous year.
- Repairs and maintenance expenditure on dental equipment in the network increased from $1.6m to $2.1m in FY 2023. This year-on-year rise was primarily driven by unplanned maintenance, particularly in older cohort centres. To address this, asset management processes are being enhanced and vendor partnerships leveraged to proactively schedule routine maintenance. This will enable pre-emptive equipment replacement decisions, ensuring optimal equipment performance and reliability, while maintaining a focus on cost.
- Pacific Smiles' corporate overhead ratio fell to 6.9% in FY 2023 from 8.1% in the prior year. This was driven by two key factors, i) managing costs and headcount to align support office costs with the level of new centre growth, and ii) an increase in revenues.
- Net interest costs increased to $4.3m from $3.8m in the prior year. Increased interest paid on the debt facility was driven by the prevailing market increases in interest rates, resulting in higher interest expenses. However, Management proactively addressed this challenge by renegotiating cash account terms to capitalise on the high interest rate environment, leading to a significant increase in interest income received. As a result, the net movement in interest costs was minimised.
- There was an increase in expenditure classified as non-underlying in FY 2023 due to their one-off nature which is reflected in the reconciliation of statutory to underlying EBITDA. Underlying expenses include legal, proxy advisor and other costs associated with the Extraordinary General Meeting ("EGM") held on 19 December 2022, as well as provisions and advisory costs related to payroll tax on dentists contracted under Service and Facilities Agreements ("SFA") outlined below.

Payroll Tax

During FY 2023, Pacific Smiles received a Determination Letter ("Determination") from Revenue New South Wales ("Revenue NSW") pertaining to the treatment of its Services and Facility Agreements ("SFAs") with dentists for payroll tax purposes. Specifically, the Determination concluded that the SFAs are "relevant contracts" under the contractor provisions of the Payroll Tax Act (NSW) 2007 ("PTA").

Subsequently, Pacific Smiles received an Assessment for Payroll Tax from Revenue NSW in respect of the four financial years 2019 to 2022. The Assessment specifies that Pacific Smiles is to remit a total of $0.97m in payroll tax shortfalls and interest relating to the four financial years 2019 to 2022. No penalties were applied by Revenue NSW in the Assessment on the basis that the Company has taken reasonable care in relation to payroll tax. This amount, paid in FY 2023, is reflected as non-underlying expenditure for the current year. The Company has made a provision for payroll tax in all other States and Territories for the same time period where it is deemed that the Company may receive an assessment in line with that of New South Wales, totalling $0.67 million. This provision is also reflected as non-underlying expenditure for the current year. The Company has self-assessed payroll tax on SFA contracts on the same basis in FY 2023, resulting in a $0.34m expense which is included in the underlying result for FY 2023.

Pacific Smiles is continuing to undertake further analysis with our advisors to determine any potential payroll tax liability going forward.

Capital Expenditure

Capital expenditure for the year is lower at $11.1m compared to FY 2022 at $23.7m, reflecting the reduction in the rate of opening new centres. However, Pacific Smiles continued to invest in its network by opening 4 new centres, adding 5 additional chairs in existing centres, completing one centre expansion and two relocations. Investment in equipment continued with $1.6m spent on 3D scanners and $1.0m on technology upgrades.

Systems and Technology

Over the last two years, PSG strengthened the core technology foundations and expanded the catalogue of digital assets, products and services. During FY 2023, modern and appropriate investments were made across the core Information Technology domains of cloud infrastructure, cyber security and data governance, delivering enhanced efficiency, security, and cost-effectiveness, while prioritising improvements in practitioner and patient experiences. Robust disaster recovery and business continuity capability was a positive outcome of the technology upgrades.

Investment in cyber security controls improved the baseline position as well as incident recovery capabilities. A strategic focus on the technology roadmap ensured further consolidation and simplification of technology, delivering greater efficiency and performance across the network.

Cash and Borrowings

Pacific Smiles continues its strong focus on cash management and fiscal discipline. Improved trading conditions in FY 2023 enabled Pacific Smiles to consolidate and strengthen its balance sheet. During the year, $9.5m debt was repaid leaving $9.0m of the $40.0m facility drawn, ending the year in a net cash position of $9.6m.

Centres

In FY 2023, four new Pacific Smiles dental centres opened in Endeavour Hills (Victoria), Chermside (Queensland), Maroochydore (Queensland), and Bankstown (New South Wales). Chatswood nib centre was consolidated into the existing Pacific Smiles dental centre in Westfield Chatswood shopping centre following the cessation of the lease in the existing nib Chatswood premises, bringing the total dental network at 30 June 2023 to 130 centres.

The Company continually evaluates the strategy to accelerate growth in light of the operating environment to ensure efficient use of capital and a balanced approach to growth.

Employees

Total employee expenses for FY 2023 of $80.7m equates to 29.8% of patient fees, compared to $74.1m or 32.7% of patient fees in the prior period.

Employee engagement remains a key priority and was actively managed during the year. In FY 2023, the first field leadership conference was held in three years and was an important milestone, bringing people together for the first-time post COVID-19.

Patients of Pacific Smiles' Dentists

In FY 2023, Pacific Smiles dentists delivered 1 million patient appointments with a patient net promoter score of 90. This is a very strong result and places Pacific Smiles in the top percentile.

Appointment volume is more than 15% higher than the prior year, reflecting a steady return to more normal attendance and visitation patterns. Marketing activity focused on building comfort and confidence to return to the practice and worked diligently to stay in touch with patients throughout.

Practitioners

The number of practitioners practicing with Pacific Smiles at the end of FY 2023 grew to more than 900 with an impressive retention rate of approximately 85%.

The increase in practitioner numbers, plus more hours worked by existing practitioners, contributed to an increase of over 50,000 practitioner hours worked in FY 2023 compared to the prior year.

Dr Ann Park

Recent Dental Graduate

Sydney CBD

Dr Ann Park joined Pacific Smiles Group in 2022 after graduating from the University of Adelaide. Ann accepted a place in the Pacific Smiles Group New Graduate program and joined nib Dental Care in the Sydney CBD. She was supported by a dedicated mentor, with an experienced centre team and had access to further professional development opportunities as she made the successful transition from university into private practice. Ann is highly regarded by her colleagues at Pacific Smiles Group and continues to build a successful practice.

Business Strategies and Prospects for Future Financial Years

Pacific Smiles is a highly experienced developer and operator of dental centres. The model and framework have been built and refined over a long period of time, giving the Company unique industry intellectual property.

Location and Community/Convenience Proposition

- Target regions under-serviced by dentists that suit the model;
- Localised regions and centre clusters create scale and efficiency opportunities, with ability to grow market share in communities where convenience and proximity to the dentist drive patient choice of dentist; and
- Shopping centre model builds brand awareness, and ease and frequency of visits to shopping centre locations facilitates repeat visits (especially within families).

Standardisation of Centre Layout, Brand, Culture, People and Systems

- Common Patient Management System and a "single patient record" across every Pacific Smiles centre makes it easy for patients to book appointments with their dentist at any location;
- Common culture and values across all centres, creating unified focus and enables common key performance indicators to be established;
- Standard operating procedures across the entire operating ecosystem are rolled out consistently:
  - making it easier for Dentists to practice across multiple centres;
  - creating high quality patient care; and
  - reducing wastage and inefficiencies.

Ease of Mobility for Staff and Dentists

Sharing of resources between centres in a "cluster" allows for increased efficiency, more streamlined labour management and greater practitioner and patient satisfaction.

Growth Focus

Multiple opportunities to drive growth by:

i. building new centres;

ii. adding capacity to existing centres (more chairs); and

iii. uplifting utilisation through increased patient attendance via retention of existing patients and acquisition of new patients.

The outlook and future prospects for Pacific Smiles is favourable and the Company is optimistic of growing revenue and earnings in FY24, noting:

- Growth will continue through a combination of i) increasing utilisation of existing mature centres, ii) ramping-up new centres, and iii) building new centres in attractive locations at a sustainable rate that meet the investment criteria;
- Key trends and demand factors in the Australian dental sector support a positive outlook, including:
  - **Ageing and population growth** - dental problems are highest for people aged 75 and older and is growing with Australia's ageing population.
  - **Private health insurance (PHI) participation rates remain high** – recent APRA data (Mar-23) revealed continued PHI policy growth of 2%, supporting continued dental growth and ancillary claiming.
  - **Access to Preferred Provider Agreements (PPAs)** – the Company has access to a broad spectrum of PPAs from insurers, which underpins patient demand as insurers promote dentist locations within their PPA network.
  - **Child Dental Benefits Scheme (CDBS) continues** – Financial support funded by the Commonwealth Government for eligible children to receive access to dental care.
  - **Cosmetic dentistry trend continues** – Increasing demand for orthodontic procedures (aligners etc), teeth whitening, veneers and crowns.

The Dental Market

IBISWorld in its Industry Report (Q8531: "Dental Services in Australia", IBISWorld, May 2023) has reported that the market for dental services in Australia is approximately at $10.9b per annum in 2023 and is forecast to continue to grow over the next five years.

Non-emergency dental work (preventative & diagnostic) was delayed throughout the COVID-19 period due to lockdowns and patient and dentist health concerns. This resulted in a backlog of residual demand, including for more expensive restorative procedures with delays and deferral of in preventative care treatments.

Demand for dental services is further driven by a combination of the ageing population with dental issues highest for people aged 75 and older, ongoing marginal growth in private health insurance membership and a growing demand for cosmetic dentistry. However, macroeconomic conditions are presenting headwinds to the market with restrictive monetary policy and cyclically high inflation causing economic growth to slow and household consumption and discretionary spending to plateau. Suppressed consumer sentiment may impact dental service volumes as households again delay preventative, restorative and cosmetic services.

The industry continues to be highly fragmented with most providers operating from small scale single locations, although corporate activity in the sector is increasing. There are more branded networks, including some owned and operated by private health insurance organisations, who market to their own members to encourage attendance.

The market continues to see growth in the number of registered dentists. The increase in recent years has been the combined impact of overseas trained dentists and local graduates. New dentists generally open their own businesses, although some join existing operators. A growing number of new dentists have joined corporate dental groups over the past five years, making corporate dentistry more commonplace in the industry.

Environment considerations

Pacific Smiles is not subject to any particular and significant environmental regulation under the law of the Commonwealth or of a state or territory.

Risk Management

Pacific Smiles is subject to various risk factors, both business specific and of a general nature. Pacific Smiles has not identified any specific, material exposure to its economic, social, or environmental sustainability over the long term.

Pacific Smiles has established policies and structures for oversight and management of material business risks. Further information regarding how Pacific Smiles recognises and manages risks can be sourced from our Corporate Governance Statement and related governance policies on our website.

The following risk areas and mitigating factors have been identified by Pacific Smiles:

Risk Area		Mitigating Factors & Risk Management Approach
Market	Downturns in general economic conditions could adversely impact demand for dental services, given the discretionary nature of some of those services.	Dentists at Pacific Smiles' dental centres provide a range of treatments to patients in several different geographic zones across the eastern states of Australia. Pacific Smiles' partially offset increased costs via operating efficiencies from increased scale.
	A higher inflationary environment may drive up costs that are unable to be fully passed on, creating pressure on operating margins.	Significant investment in industry-leading systems and infrastructure in the last 3 years has laid the foundation to further capitalise on efficiencies that contributes to offsetting external margin pressures.
Legal, Regulatory and Governance	Changes in government regulations and legislation that lead to increased costs.	Pacific Smiles has a risk management framework that considers the risks due to changes in laws and regulations. It is regularly reviewed by its Audit and Risk Management Committee and the Company takes advice from expert counsel regarding its contractual arrangements and regulatory compliance. Payroll tax risk in relation to dentists' Service and Facilities Agreements is managed through expert counsel advice and any developments are clearly communicated to investors and the market in compliance with continuing disclosure obligations.
Business Model	Changes to the nature or extent of private health insurance coverage could impact upon the attendance frequency of patients and the payments received from health insurers.	Patients of Pacific Smiles' dentists are a mix of privately insured and non-insured individuals and there are various payment plans and treatment payment options available.
	Competition-induced fee pressure could increase competition for patients and the degree to which dentists compete based on fee levels.	Pacific Smiles' dental centres are usually differentiated from other local providers and compete based on convenience, value, access and overall patient experience.
Practitioners	Under the Service and Facility Agreements between Pacific Smiles and dentists, the dentists may terminate without cause, generally with 3 months' notice.	Pacific Smiles views the dentists as a key customer group and focuses resources accordingly. Dentist engagement remains a priority and is tracked regularly. Dentists choose Pacific Smiles because of the high level of business and clinical support the model provides to their practice, including continuing professional education.

Risk Area		Mitigating Factors & Risk Management Approach
	Dentist operating outside scope of practice is also a risk for the business.	A compliance framework is in place to ensure protocols are followed and dentists are well credentialed. A new Dental Advisory Committee has been established to oversee dentist credentials. The Clinical Governance Committee is responsible for continuous improvement of processes and ensuring good clinical outcomes for patients.
	Should the availability of appropriately skilled and aligned dentists become restricted, then growth and expansion of Pacific Smiles could be slowed.	A pipeline of dentists is built via ongoing training and development of dentists, including a structured mentoring program for new graduate dentists.
Occupational Health and Safety	Transfer of infection to individuals due to safety or sterilisation breaches in a dental centre may lead to harm to individuals and negative reputational impacts on Pacific Smiles as well negative economic consequences.	Pacific Smiles has a clinical governance framework that governs infection control management procedures, including a training program. Clinical risks are coordinated and managed by a dedicated clinical specialist team and monthly audits are undertaken. There is a close focus on internal procedures and clinical governance by management and the Board. This has been further enhanced by internal and external appointments to the Dental Advisory Committee. OHS practices and outcomes are a priority for all employees of the Company.
People & Culture	Reputational damage – Actions by employees or dentists could give rise to reputational damage to Pacific Smiles and its brands.	Pacific Smiles focuses on attracting and retaining a diverse workforce that reflects the communities in which we operate, with clear training and onboarding procedures to educate employees on issues that could result in reputational damage.
	Pay & Entitlements	Paying employees correctly and ensuring they are paid correct entitlements is essential to maintaining trust and the company's reputation. Pacific Smiles regularly reviews and enhances baseline controls across the end-to-end pay process. Where possible, automation procedures are utilised to reduce the risk of manual errors. Industrial instruments are proactively reviewed, and management are responsible for staying abreast of changes to industrial relations legislation and ensuring all leaders understand and comply.
	Staff Turnover	Employees are an essential component of the services Pacific Smiles provides to dentists and the dentist's patients. Attracting, retaining and engaging team members is crucial. Engagement surveys provide invaluable feedback on employee engagement with leaders empowered to act on feedback specific to their areas. Improving talent acquisition and onboarding processes has been a key focus over the past 12 months to ensure a consistent experience across the group and that employees have a positive start with the Company.

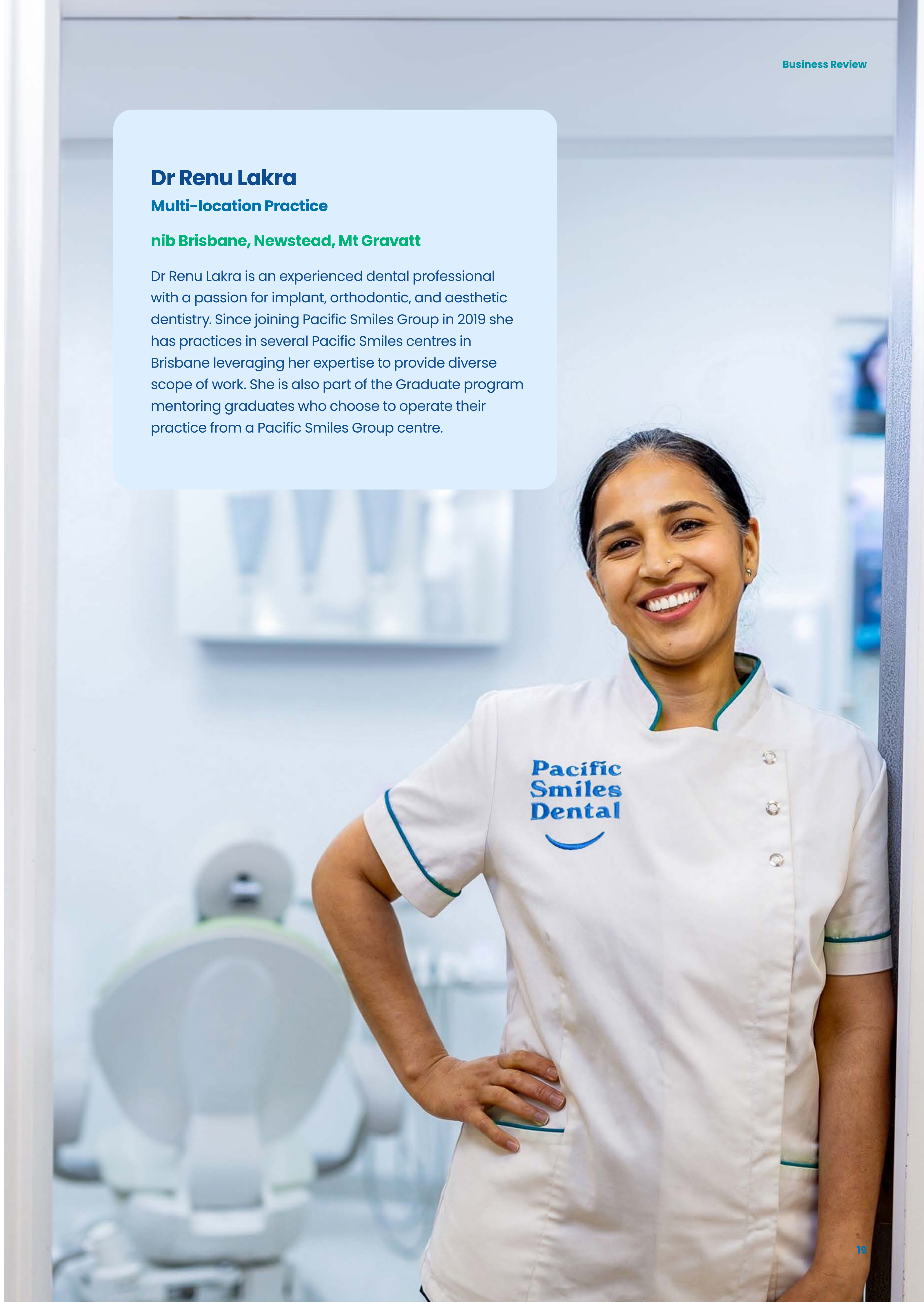
Risk Area		Mitigating Factors & Risk Management Approach
Cyber Security and Data Management	Actions whereby the company's IT systems are accessed and result in the failure of or interruption to key IT systems or a material patient privacy breach.	Pacific Smiles Group have sophisticated cyber security controls in place to minimise technology related business interruptions and to assure the privacy of patient information. Cyber and data roadmaps are in place to continually uplift maturity in both areas to meet operational expectations. A program of continuous external security audits ensures compliance and performance is maintained.
Technology	Effective business operations and technology are inextricably linked and mutually dependent. Both our Information Technology and clinical Operational Technology environment combine to deliver required business performance outcomes.	A planning for disruption mindset has driven uplift in technology enabled business resilience. Cloud first computing investments underpin the design of the technology platform and enable faster recovery and access to data if required.
	Any loss of critical Technology systems or services would result in business disruption.	IT Business Continuity plans continue to evolve, and critical IT business system disruption is insulated via advanced Disaster Recovery process and capability.
Business Continuity	Should an event result in the closure, restriction or delay of key consumables or personal protective equipment (PPE) meaning our ability to meet the needs of dentists and their patients could be impacted.	Long term relationships with national suppliers and alternate suppliers have been identified. Pacific Smiles closely monitors inventory levels to ensure adequate stock of appropriate personal protective equipment (PPE) is available. A strategy for emergency store of critical PPE is also in place.
	Should a pandemic restrict the dental services able to be performed in specific locations, states or nationally due to the risk of infection to staff, dentists and their patients.	A process for closely monitoring and adhering to government or professional body recommendations is in place. Procedures for ensuring adequate stocks of appropriate personal protective equipment (PPE) are in place, along with a close focus on internal procedures and clinical governance by management and the Board.
Environmental and Sustainability Risk	Climate change and sustainability-related risks pose risk to physical infrastructure and could impact our business operations.	A comprehensive insurance program is in place to financially protect the business from major catastrophic events to the extent that they are insurable.
	Poor sustainability practices and controls could negatively affect stakeholder and community expectations if not managed appropriately.	Pacific Smiles has an executive committee which monitors and has carriage of our efforts to source environmentally responsible or renewable products across our business.
Modern Slavery Risk		Due diligence is undertaken for specific suppliers relative to compliance with the Company's Modern Slavery Policy which is overseen by the Board.
Shareholder Activism	Impacts upon brand and reputation that results in negative impact on the share price and financial performance of the Company as it bears the cost of addressing activist campaigns.	Pacific Smiles regularly and transparently communicates with all shareholders through its Investor Relations program, providing a platform for appropriate dialogue and investor feedback. A practice of holding Investor days has commenced that enables additional communication and engagement with a broader group of investors.

Dr Renu Lakra

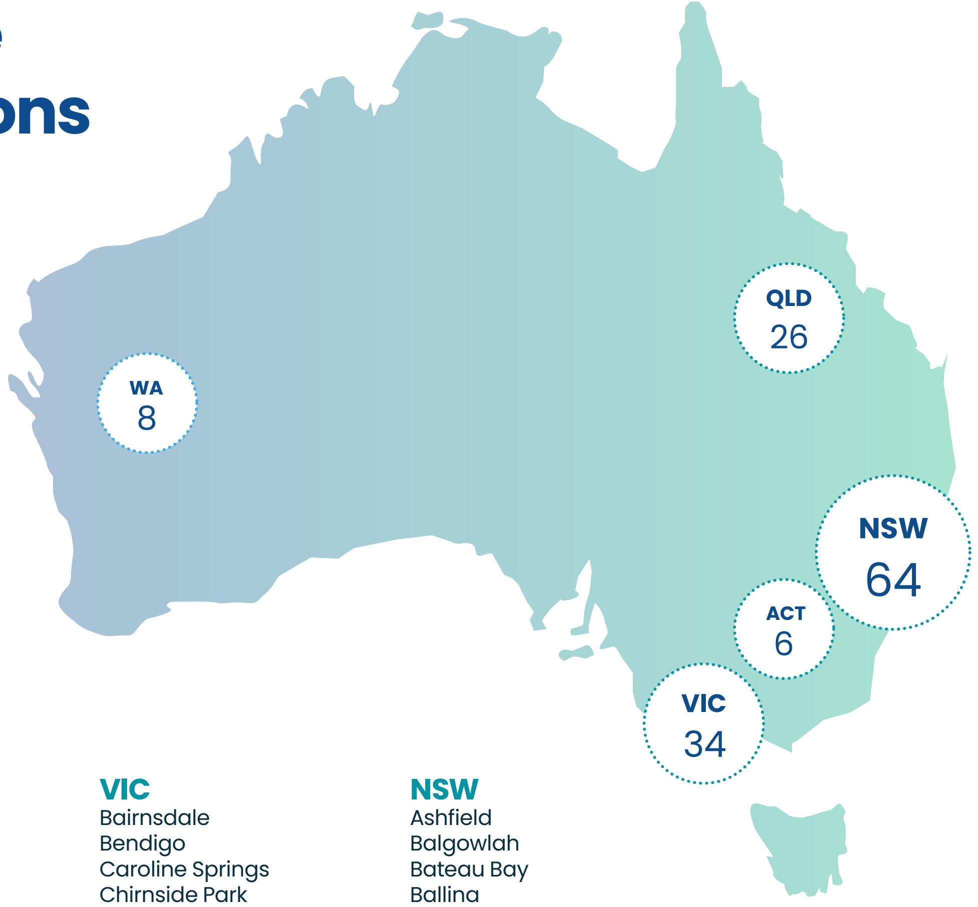
Multi-location Practice

nib Brisbane, Newstead, Mt Gravatt

Dr Renu Lakra is an experienced dental professional with a passion for implant, orthodontic, and aesthetic dentistry. Since joining Pacific Smiles Group in 2019 she has practices in several Pacific Smiles centres in Brisbane leveraging her expertise to provide diverse scope of work. She is also part of the Graduate program mentoring graduates who choose to operate their practice from a Pacific Smiles Group centre.



Centre Locations



WA (HBFD)
Belmont*
Bull Creek
Cannington
Floreat*
Joondalup
Karrinyup
Mandurah
Morley

ACT
Belconnen
Gungahlin
Manuka
Tuggeranong
Woden
nib Woden

QLD
Aspley
Birtinya
Bribie Island
nib Brisbane
Browns Plains
Buddina
Burleigh Heads
Capalaba
Chermside*
Cleveland
Coomera**
Deception Bay
Helensvale
Loganholme**
Maroochydore*
Mitchelton
Morayfield
Mt Gravatt
Mt Ommaney
Newstead
North Lakes
Redbank Plains
Robina
Runaway Bay
Strathpine
Victoria Point

VIC
Bairnsdale
Bendigo
Caroline Springs
Chirnside Park
Craigieburn**
Cranbourne Park
Doncaster East**
Drysdale
Endeavour Hills*
Epping
Frankston**
Glen Iris
Glen Waverley
Greensborough
Keysborough
Leopold
Melbourne
nib Melbourne
Melton
Mill Park
Mulgrave
Narre Warren
Oakleigh**
Ocean Grove
Point Cook
Preston
Ringwood
Sale
Taylors Lake
Torquay
Traralgon
Warragul
Waurn Ponds
Werribee

NSW
Ashfield
Balgowlah
Bateau Bay
Ballina
Bankstown*
Bass Hill
Baulkham Hills
Belmont
Belrose
Bondi Junction
Blacktown
Brookvale
Cameron Park**
Campbelltown
Charlestown
nib Chatswood‡
Chullora**
Corrimal**
Dapto**
Erina
nib Erina
Figtree
Forster
Gladesville
Glendale
nib Glendale
Goulburn**
Greenhills
Greenhills Ortho
Hornsby**
Hurstville
Jesmond
Kotara
Lake Haven
Lane Cove
Maroubra**
Marrickville
Merrylands**
Morisset
Mount Hutton
Narellan
Newcastle**
nib Newcastle
nib North Parramatta
Nowra
Parramatta
Penrith
Queanbeyan
Raymond Terrace
Richmond**
Rockdale**
Rutherford
Salamander Bay
Shellharbour
Singleton
Sylvania**
nib Sydney
Toronto
Town Hall
Tuggerah
Tweed Heads
Wagga Wagga
Wollongong
nib Wollongong

Notes: * FY23 New Centres ** FY22 New Centres ‡ PSD Chatswood merged with nib Chatswood

Environmental, Social and Governance

Pacific Smiles makes a difference through strategic initiatives in the field, at our Dental Centre Support office and in our new centre build schedules.

ENVIRONMENTAL

Commitment to increase our usage of environmentally friendly consumables, sourced from responsible organisations that prioritise sustainable and ethical practices

Printer cartridge return and recycle program through Close the Loop has saved 560 printer cartridges (446kg) from Landfill

Changed over to autoclavable mixing wells and cheek retractors reducing single use plastics

SOCIAL

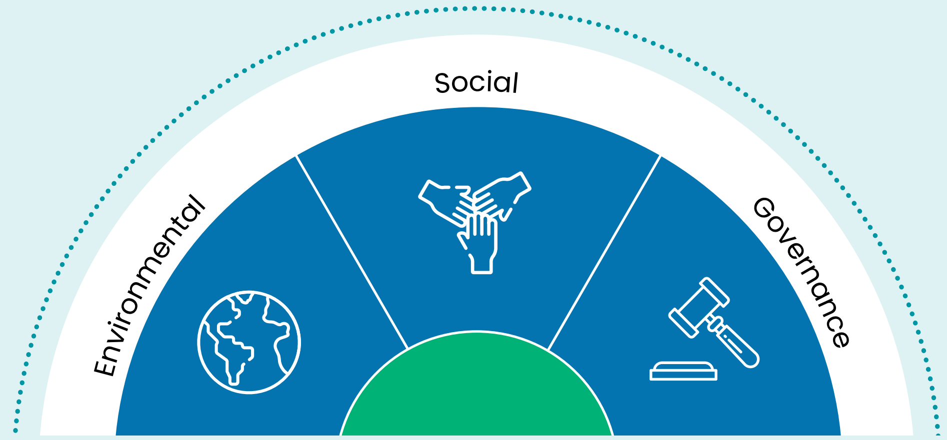
Continued use of AI technology to reduce bias from candidate screenings in our recruitment process

Donated dental items to a Central Coast and Hunter based charity "We Care Connect" which helps care for local children living in poverty

GOVERNANCE

We build transparency and trust through strong governance, evidenced by our Board subcommittees and Dental Advisory Committee, which govern our operating and risk environment

Our policies and procedures guide our people on how to make the right decisions and demonstrate ethical behaviours



Consolidated Financial Report 2023

Director's Report

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Pacific Smiles Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during the year ended 30 June 2023.

Principal activities

The Company principally operates dental centres at which independent dentists practice and provide clinical treatments and services to patients. Revenues and profits are primarily derived from fees charged to dentists for the provision of these fully serviced dental facilities.

Governance

To the extent the Directors regard as appropriate to the size and stage of development of the Company, Pacific Smiles Group has adopted the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) throughout the reporting period (exceptions are set out below). Details are provided in the Corporate Governance Statement.

Governance Principles to be considered for implementation in the future as the Company size and cost warrants the additional oversight.

- Appointment of an internal audit function.
- Appointment of a separate Nomination Committee.

Further details of the key corporate governance policies and practices of the Company during the year are set out in the Corporate Governance Statement. Full details of the Corporate Governance Statement are available on the Company website.

Matters subsequent to the end of the financial year

Resignation of CEO and Managing Director

On 11 August 2023, the Company announced the resignation of Managing Director and Chief Executive Officer (CEO), Mr Phil McKenzie, with effect from 31 August 2023. Mr Paul Robertson has been appointed Interim Chief Executive Officer with effect from 1 September 2023. His appointment facilities an orderly handover and minimises disruption to the Company.

Mr Robertson is an experienced Chief Executive Officer and senior executive. He joined Pacific Smiles Group in 2008 as Chief Operating Officer where he spent 13 years building a deep understanding of the Company's operations. In July 2022, he was appointed Chief Commercial Officer, enabling him to leverage his knowledge of the business and build on established relationships. As a CEO, Mr Robertson has extensive experience leading private hospitals including Calvary John James Hospital, Lingard, Christo Road, Lady Davidson, Warners Bay, Castlecrag and Mosman Private Hospitals.

Mr Robertson's appointment as Interim Chief Executive Officer will continue for the period of the search for a permanent Chief Executive Officer, which is underway.

Either party may terminate the employment agreement by providing three months' notice.

It is intended that Mr Robertson will return to the position of Chief Commercial Officer as soon as a new Chief Executive Officer commences.

Final dividend declaration

Subsequent to the end of the financial year, the Directors have recommended the payment of a final dividend of 2.27 cents (2022: nil) per ordinary share, fully franked. The aggregate amount of the proposed dividend expected to be paid out of profit reserves in October 2023, but not recognised as a liability as at the end of the financial year is $3,627,463 (2022: nil).

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Board Skills and Experience

Pacific Smiles Group Board comprises Directors with a diverse range of skills, experience, and backgrounds to support the effective governance and robust decision-making of the Company, with a particular focus on the key desired areas listed below. An assessment of the optimum mix of these skills and experience takes place at least annually, noting not all Directors are expected to hold advanced capability in every area.

In addition to skills and expertise, we also consider personal attributes of Directors in the renewal process and the annual Board performance review process, to continuously enhance Director engagement, interaction, and effectiveness. A summary of the key skills and experience of the current Directors against those identified in the skills matrix is set out below:

Board Skill	Definition	Number of Directors
Dentistry/ Dental Industry Experience	An experienced Dentist with a commercial mindset, ideally with a background running multiple practices and demonstrated industry thought leadership.	1
Healthcare Industry Experience	Extensive experience in healthcare, health insurance or a related category that manages the treatment of patients, ideally at multi-site locations.	7
Leadership & Commercial Acumen	Experience as a C-suite level executive of a significant organisation with proven ability to consistently deliver results, run complex businesses/business units and lead complex projects.	7
Growth & Scale Up Experience	Experience in high growth organisations with an understanding of pacing capital allocation and investment within the organisations financial and risk boundaries.	7
Strategy	Expertise and experience in identifying and critically assessing strategic opportunities and threats, including constructively questioning and challenging business plans and overseeing successful transformation and growth in large, complex organisations to create sustained, resilient business outcomes.	7
Finance/ Accounting	Proficiency and expertise in capital management, financial accounting and corporate reporting, including understanding the key financial drivers of the business, the ability to probe the adequacies of internal financial controls and systems and investor relations.	7
Property	Experience in property management including asset utilization, leasing, asset management, capital allocation and multi-location roll out.	7
Governance	Demonstrated experience in, or commitment to best practice corporate standards, as well as the oversite of corporate governance frameworks, policies & processes, ideally in an ASX environment.	6
Digital and Data	Expertise and experience in innovation, adoption and implementation of new technologies, digital disruption, leveraging digital technologies, understanding the use of data and data analytics.	6
Marketing	Extensive experience leading both B2B and B2C Marketing teams with functional leadership overseeing advertising, brand, customer relationship management & customer experience.	5
Risk Management	Experience in anticipating, recognising and managing risks, including regulatory, financial, and non-financial risks.	7
People Management	Experience leading teams, developing remuneration plans and strategies, remuneration governance, strong understanding of remuneration policies and implications, OHS practices and governance and oversight and development of corporate.	7

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Ms Zita Peach

Non-Executive Chair, appointed February 2020.
Non-Executive Director, appointed August 2017.
Member of the Nomination and Remuneration Committee.

BSc, FAICD, FAMI

Zita has more than 25 years of commercial experience in the pharmaceutical, biotechnology, medical devices and health services industries. She has extensive sales and marketing experience across a broad range of sectors in healthcare, locally and internationally, as well as leading international expansions and conducting major business transactions. At leading global healthcare company Fresenius Kabi, Zita was Executive Vice President for South Asia Pacific, Managing Director for Australia and New Zealand and Chair of the Boards for Malaysia, Australia and New Zealand. Zita was Vice President of Business Development at CSL Limited and has an extensive track record in mergers and acquisitions deals, licencing and commercialising products and technologies on a global scale. Zita is a Non-Executive Director of Monash IVF Group Limited and for two privately held companies, Icon Group Pty Ltd and Nucleus Network Pty Ltd. Zita is also a member of the Hudson Institute of Medical Research Board.

Other current directorships: Monash IVF Group Limited

Former directorships (last 3 years): Starpharma Holdings Limited

Interests in shares: 50,087

Mr Mark Bloom

Non-Executive Director, appointed October 2019.
Member of the Audit and Risk Management Committee.
Chair of the Property Committee.

B.Comm, B.Acc, CA ANZ

Up until April 2019, Mark held the position of Chief Financial Officer at ASX 20 listed Scentre Group Limited (Owner and operator of Westfield in Australia and NZ). Mark's executive career as a Finance Executive has spanned 36 years as Chief Financial Officer and an Executive Director at 3 top 20 listed entities in Real Estate (Westfield and Scentre Group – 16 years) and Insurance and diversified Financial Services (Liberty Life, South Africa and Manulife Financial, Toronto – 20 years). He has had extensive experience in running global and local Finance and IT teams encompassing Treasury, Tax, Operations Finance, Compliance, Risk Management, Financial Reporting, Legal and Information Technology. Mark has extensive experience in corporate transactions and restructuring. Mark is a Non-executive Director at AGL Energy Limited and EBOS Group Limited.

Other current directorships: AGL Energy Limited, EBOS Group Limited

Former directorships (last 3 years): Abacus Property Group Limited

Interests in shares: 277,952

Mr Simon Rutherford

Non-Executive Director, appointed September 2003.
Chair of the Audit & Risk Management Committee.

B.Comm, CA, FAICD

Simon is a chartered accountant and partner with PKF business advisory services where he has worked for over 35 years. He works with corporate and family-owned groups as an advisory Board member and lead adviser on strategy, governance, structuring, business sales, mergers, and acquisitions. He is also a Director of PKF Wealth. In his role Simon has assisted various companies with capital raising and listing requirements. Simon was a Director of the Trustee of Canyon Property Trust and is involved with other syndicated investments. He has also served on a number of Boards including National Brokers Group and Vow Financial Group.

Other current directorships: Nil

Former directorships (last 3 years): Nil

Interests in shares: 1,744,863

Directors continued

Dr Scott Kalniz

Non-Executive Director, appointed January 2021. Member of the Audit and Risk Management Committee.

DDS and BS in Business Administration, Economics (The Ohio State University)

Dr. Kalniz has over 25 years of dental industry experience in the United States.

Scott's current role is Chief Dental Officer and VP of Network Development at Beam Benefits, an employee benefits company. Scott is also a director on the following private equity boards: Signature Dental Partners, Premier Dentist Partners and Smiles America Partners. He started his career as a practicing dentist with a single location practice and purchased a number of other dental practices, eventually selling his group to North American Dental. At North American Dental, he helped grow the business to over 50 locations. Dr. Kalniz then partnered with a private equity firm, as CEO and Chief Dental Officer, to create a new Chicago headquartered Dental Services Organisation (DSO), Elite Dental Partners. In under 5 years, the business grew to over 110 locations in 12 states. Dr. Kalniz retired from the Board of Elite Dental Partners in September 2020.

Other current directorships: Signature Dental Partners

Former directorships (last 3 years): Elite Dental Partners, Heartland Veterinary Partners

Interests in shares: 20,000

Ms Jodie Leonard

Non-Executive Director, appointed May 2023. Member of the Nomination and Remuneration Committee and appointed Chair of Nomination and Remuneration Committee on 30 June 2023.

B Bus, Marketing, FAICD

Jodie is an experienced Non-Executive Director and Remuneration Committee Chair of ASX listed and public companies. Her portfolio focusses on scaling companies for growth and transforming business models to drive profitability. She has a deep understanding of ASX and regulated entity governance and has also chaired both Risk and Audit committees. Jodie has Executive expertise in strategic planning, digital innovation, and marketing across a diverse range of industries including technology, banking & financial services, consumer goods, media, and travel & tourism. She previously held Chief Marketing Officer and corporate strategy roles in blue chip companies including General Electric, British Airways, Telstra, Nine Network, Unilever and Colgate, during which time she worked in global oral care in New York. She has also served on a range of public Boards including the RACV, Beyond Bank Australia, Great Ocean Road Coast & Parks Authority, and Kinetic Superannuation Ltd and is currently also on the Board of the Barwon Region Water Corporation.

Other current directorships: XPON Technology Group Ltd

Former directorships (last 3 years): X2M Connect Ltd, Flexigroup Ltd (now HUMM Group Ltd), BWX Ltd, Selfwealth Ltd

Interests in shares: Nil – awaiting clearance of blackout period.

Mr Steven Rubic

Non-Executive Director, appointed May 2023. Member Nomination & Remuneration and Property Committees.

B.Health Admin, MBA, FAICD, FACHSM

Steven has over 30 years of healthcare Executive leadership experience including CEO roles at Healthscope, I-MED Radiology Network and St Vincent's & Mater Health. Steven is currently a Non-Executive Director of Healthscope and the Mercy Partners and was previously the Chair of Monte Sant' Angelo Mercy College, and formerly a Board Director of the Garvan Institute of Medical Research, the Chris O'Brien Lifehouse, the Macquarie University Council and the NSW Private Hospitals Association. He has worked closely with Boards and private equity firms over the last 11 years, growing a number of businesses with a focus on commercial outcomes and delivering strong returns to shareholders.

Other current directorships: Mercy Partners

Former directorships (last 3 years): Nil

Interests in shares: 20,000

The following persons were Directors of the Company at the beginning of the financial year up to their resignation date.

Mr Phil McKenzie

Managing Director and Chief Executive Officer, appointed October 2018. Resigned 31 August 2023.

B.Bus (Auckland University of Technology)

Prior to joining Pacific Smiles, Phil was Chief Executive Officer for Audiology Management Group (AMG), a leading audiology services business with a network of more than 200 clinic locations across the USA. During his time at AMG, Phil balanced and transitioned the model from acquisition driven to greenfield expansion and delivered strong financial performance for the group. Prior to his role as CEO of AGM, Phil was CEO of Widex Australia, New Zealand, Singapore, Hong Kong and India retail where he successfully turned around and grew those operations. Phil has also held leadership positions at Apple Retail as Australian Market Director and was a driver of Apple's retail entry into the Australian market from 2008 to 2011, and Luxottica as National Operations Manager from 2005 to 2007.

Other current directorships: Nil

Former directorships (last 3 years): Nil

Interests in shares: 10,600

Mr Hilton Brett

Non-Executive Director, appointed August 2018. Resigned 30 June 2023. Chair of the Nomination and Remuneration Committee.

B.Comm, PGDA

Hilton is an Operating Partner at TDM Growth Partners, a private global investment firm founded in 2004, with offices in Sydney and New York. Hilton is a Non-Executive Director of Guzman Y Gomez Mexican Taqueria, and Somnomed Ltd. Prior to joining TDM, Hilton was the Co-CEO of Accent Group Limited (AX1), formerly RCG Corporation Ltd, which is the regional leader in the retail and distribution of performance and lifestyle footwear Australia and New Zealand. Hilton joined RCG in 2006 when the business had a market capitalisation of $8 million. Over the 12 years from 2006 to 2018, the team grew the business to a $800 million market capitalisation and delivered total shareholder returns in excess of 25% CAGR. Hilton has over 25 years' experience as CEO of multiple consumer businesses with proven skills in growing the business and delivering outstanding returns for shareholders.

Other current directorships: SomnoMed Ltd

Former directorships (last 3 years): Nil

Interests in shares: 100,000

Mr Andrew Knott

Non-Executive Director, appointed February 2022. Stood down December 2022 following the EGM. Member of the Nomination and Remuneration Committee.

B Bus, Marketing and Finance

Andrew was the President – Verizon at the Publicis Groupe of advertising agencies. Leading over 850 staff delivering across media, customer experience, data and analytics, marketing optimisation and creative for Verizon Consumer, Business, and Media Groups, Andrew was accountable for accelerating change for marketing, channel development, sales effectiveness, customer analytics and operations, overseeing $1.5 billion in client spend and delivering over $200 million in group revenue. Andrew has held Chief Marketing roles at JPMorgan Chase & Co, National Australia Bank (NAB) and was Vice President Digital Transformation and Marketing at McDonald's. Andrew has extensive experience as a senior executive in Australia, Asia Pacific, and the United States.

Other current directorships: Nil

Former directorships (last 3 years): Nil

Interests in shares: Nil

Executive Team

Mr Paul Robertson
Interim Chief Executive Officer
B.Comm

Paul is an experienced Chief Executive Officer and senior executive. He joined Pacific Smiles Group in 2008 as Chief Operating Officer where he spent 13 years building a deep understanding of the Company's operations. In July 2022, he was appointed Chief Commercial Officer, enabling him to leverage his knowledge of the business and build on established relationships.

As a CEO Paul has extensive experience having led a number of private hospitals for major operators including Affinity Health, Healthe Care, and Little Company of Mary Healthcare.

Mr Matthew Cordingley
Chief Financial Officer
B.Bus

An experienced leader with extensive finance and commercial experience, Matthew's career over more than 20 years has spanned chartered accounting, investment banking and corporate roles.

Most recently Matthew was Head of Mergers and Acquisitions at Healius Limited, a leading ASX listed healthcare company, where he was responsible for the company's strategic business development, growth and capital raising activities. During his tenure at Healius, Matthew was instrumental in redesigning the model for investments and was a member of the Finance Transformation Committee.

Ciara Rocks
Chief Operating Officer
BA (Social Science), MBA

Ciara is an experienced Executive Leader with over 20 years' experience in sales, customer experience and operations across various service and retail industries. She is a proven people leader with the ability to set and implement business strategies; meet budgeted revenue and exceed customer service targets. Galvanising small and large teams to deliver performance, managing change and driving innovation is Ciara's passion.

Ciara has previously held the position of Chief Marketing Officer at Paciifc Smiles Group and senior positions at Hunter Water, the Commonwealth Bank and the NRMA.

Louise Hayes
Executive General Manager – People & Culture
B.Bus

Louise is a senior leader with more than 15 years of experience focused on people, culture and change management within Australia and internationally. She has a strong background working across several sectors, including healthcare, financial services, government and mining. With extensive knowledge of navigating businesses during periods of growth and change, Louise has proven success in supporting organisations to build capability through people, fostering positive and inclusive workplace culture, and enhancing reputation as an employer of choice.

Troy McGowan
Executive General Manager – Clinical Excellence
B.Sc, BOH (Dent Sci), Grad Dip (Dent), DClinDent (Perio)

Dr Troy McGowan is an Australian-trained periodontist with more than a decade of experience in clinical dentistry and health leadership.

Troy spent 13 years in the RAAF where he held the position of senior dental officer and specialist career advisor. As well as his time in the ADF Troy has worked in the public sector both as a dentist and periodontist and has spent the last year and a half in private specialist practice. He holds honorary academic positions with both the University of Queensland and Central Queensland University and has published several articles in peer-reviewed dental journals.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Board Meetings				Audit & Risk Committee		Nomination & Remuneration Committee		Property Committee	
	Scheduled	Attended	Unscheduled	Attended	Held	Attended	Held	Attended	Held	Attended
Ms Zita Peach	8	8	12	12			4	4		
Mr Phil McKenzie	8	8	12	12						
Mr Simon Rutherford	8	8	12	12	4	4			3	3
Mr Mark Bloom	8	8	12	11	4	4			3	3
Mr Hilton Brett	8	8	12	10			4	4	3	3
Dr Scott Kalniz[1]	8	7	6	6	4	4				
Mr Andrew Knott[2]	3	3	5	5			2	2	2	2
Ms Jodie Leonard[3]	2	2	4	4			1	1		
Mr Steven Rubic[3]	2	2	4	4			1	1		

[1] Dr Scott Kalniz resides in the United States and was unable to attend a number of meetings called on short notice due to the time difference.

[2] Mr Knott stood down on 19 December 2022 following the EGM.

[3] Ms Leonard and Mr Rubic were appointed 8 May 2023.

Scheduled and unscheduled meetings

The Board attended to a regular schedule of Board meetings in FY23. In addition, a number of unscheduled meetings were held to address out of cycle meetings for issues the Board needed to attend to during the year.

Company Secretary

Belinda Cleminson of the Automic Group is the Company Secretary.

Indemnity and insurance of officers

During or since the end of the financial year, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Directors, officers and employees of the Company and its subsidiaries against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Non-audit services

During the financial year the following fees were paid or payable for services provided to KPMG, the auditor of the Company:

	2023 $	2022 $
Audit services – audit or review of the financial statements	190,900	180,000
Other services – tax compliance and advisory services	27,000	26,900
	217,900	206,900

Details of the amounts paid or payable to the Company's auditor and related practices of the auditor for non-audit services provided during the year are set out above. The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2023 has been received and can be found on page 51 of the financial report.

Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

Other Information

The following information, contained in other sections of this Financial Report, forms part of this Directors' Report:

1. Operating and Financial Review details in pages 8–20 inclusive in the Financial Report.
2. Matters subsequent to end of the financial year as outlined in page 25.
3. The Remuneration Report on pages 34–50.
4. Auditor's Independence Declaration on page 51.

Voting of shareholders at last year's annual general meeting and general meeting

AGM Voting Outcomes

The Board was disappointed with the outcomes of the 28 November 2022 AGM as they did not receive shareholder support for several resolutions as follows:

Resolution	Shareholder Votes Against
Award of Performance Rights to the MD & CEO	54.1%
Approval of the FY 2022 Remuneration Report	36.3%

A 'first-strike' occurs where a Remuneration Report receives a 'no' vote of 25% or more at the AGM. If this happens, the Company's next subsequent Remuneration Report must explain whether and the extent to which shareholders' concerns have been considered. The FY 2022 Remuneration Report received a no vote of 36.3% resulting in a first strike which was disappointing given the strong support of the proxy advisers and institutional investors. All proxy advisors that reported on the Company recommended in favour of the Remuneration Report. The Board sought feedback from investors and were advised they would like to see a number of issues addressed including:

- Diversity of the Board.
- The LTI hurdles were too low.
- The quantum of the LTI awards were too high.
- Shareholders requested that Board governance be improved.

The Board has taken the feedback seriously and made considerable progress towards addressing the issues and concerns raised by shareholders. More details on the proposed changes and status of changes are outlined in the Remuneration Report.

Extraordinary General Meeting (EGM) held 19 December 2022

On 7th November 2022, shareholders were advised a general meeting of shareholders of the Pacific Smiles Group was requisitioned by Dr. Alex Abrahams, who at the time was the beneficial owner of approximately 12.07% of shares of Pacific Smiles Group.

Dr Abrahams requested shareholders consider a proposal to remove all seven Directors of the Board at the time, including the MD & CEO, and replace them with four new Directors proposed by Dr Abrahams, including himself. The Board recommended shareholders vote against the proposed removal and replacement of the Board as they considered it was not in the best interests of the Company.

On 13 December 2022, shareholders were advised Dr Abrahams had withdrawn his proposal to remove Ms Zita Peach and Mr Mark Bloom as Directors of the Company, but he would proceed to a vote to remove and replace all other Directors via a Extraordinary General Meeting (EGM) to be held on 19 December 2022. Resolutions for the removal of six Directors on the Board of Pacific Smiles were not successful and the resolution for the removal of Mr Andrew Knott was passed at the EGM.

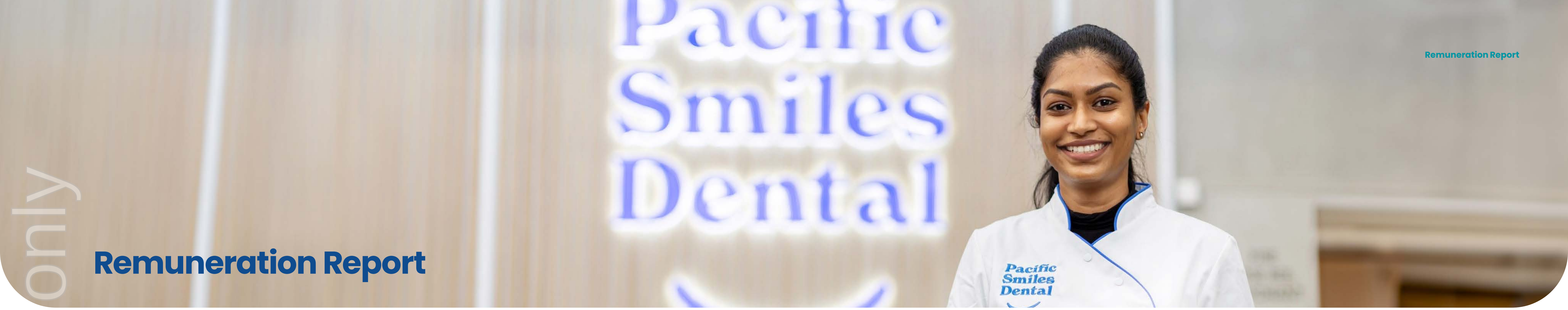
The Board was disappointed an EGM had been called and is committed to working with all shareholders to build a more productive relationship that aligns the interests of all shareholders and enables the Board and management to work in the best interests of the Company.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Zita Peach
Chairperson

23 August 2023



Remuneration Report

Dear Shareholders

On behalf of the Board, I am pleased to share with you the FY23 Remuneration Report. Throughout FY23, management and the broader team worked hard to deliver on the strategy, focusing on driving operational excellence, maximizing asset utilization, driving employee and dentist engagement and delivering same centre growth.

The Company continued to show strong resilience and agility as it continued to recover from the interruption caused by the Covid pandemic, and the challenging business environment.

Our customer focused culture delivered exceptional growth in the second half of the year, achieving record revenue days. The focus on driving operational excellence and a desire to provide an outstanding patient experience, is evidenced by achieving a year end patient NPS score of 90, an exceptional outcome that places Pacific Smiles at the top of the upper quartile of NPS scores.

Strike against the FY 2022 Remuneration Report

The Board was disappointed by the outcomes of the November 2022 AGM and has taken the shareholder feedback seriously. Several initiatives have been undertaken to address the issues raised, including a refresh of the Board of Directors, improving Board diversity, and a review of incentive plans for FY24.

Board Refresh

As an outcome of the feedback from the AGM and EGM, a significant refresh of the Board was commenced with a clear focus on delivering updated skill requirements including stronger experience in governance, healthcare, marketing & digital, remuneration and ASX listed company experience. There was also a Board vacancy to fill as a result of Andrew Knott stepping down following the December 2022 EGM.

As part of the Board refresh, I was appointed in May 2023 to the Board as a Non-Executive Director, along with my fellow Director, Steven Rubic. The refresh also resulted in the resignation in June of Hilton Brett. As a result of Hilton's resignation, I was appointed Chair of the Nomination & Remuneration Committee and along with my committee colleagues, immediately commenced a review of the remuneration framework to ensure it is fit for the Company's purpose, improves the alignment of Executives interest with shareholder interests, and enhances employee engagement. The Board would like to thank Hilton and Andrew for their contribution during their time on the Board. The final stage of the Board refresh will be announced prior to the AGM.

Management Changes in FY 2023

The management team was restructured in July 2022, resulting in a number of promotions and appointments. Paul Robertson was appointed Chief Commercial Officer, Ciara Rocks was promoted to Chief Operating Officer, Alice Telford was promoted to EGM Marketing and Louise Hayes was promoted to EGM People & Culture. It was pleasing to see the number of women promoted to senior leadership positions and is testament to the breadth of internal talent. In November 2022, Dr Troy McGowan, a specialist periodontist, was appointed EGM Clinical Excellence. This is a critical role that strives to improve the services Pacific Smiles provides to dentists.

Incentive Outcomes

Although guidance was met, the EBITDA target was delivered at the lower end of the target range and therefore resulted in a lower Short-Term Incentive (STI) payout. In addition, only one of the three non-financial metrics was delivered, resulting in 17% of the STI being earned by KMP. The Board did not apply its discretion to this outcome. Shareholders did not approve the award of equity to the CEO at the November 2022 AGM and fed back a number of issues that the Board has since considered. As a result of the feedback, no award of equity was made under the Long Term Incentive ("LTI") plan.

FY24 Remuneration Plans

Since joining the Board, extensive work has been undertaken to review the remuneration framework and the measures used to reward short and long-term performance. The key focus has been to align the Executive team with the Company's FY24 strategic priorities. This has resulted in benchmarking of Executive remuneration by an independent remuneration consultant and a range of improvements to the remuneration framework that will include:

- A redesign of the STI plan to drive balanced delivery of patient fee and EBITDA outcomes, as well as non-financial metrics related to employee, patient and dentist engagement.
- A new LTI plan focused on delivering three key metrics over a 3-year period and addressing a number of issues raised by investors.

Engagement of Executives in FY 2024 and beyond

As the Company has worked through the turmoil and disruptions of the pandemic and subsequently the volatility and distractions of the shareholder resolutions at the EGM, management has remained focused on achieving revenue and profit growth. This has not been easy, but it is pleasing to see positive momentum building towards achieving near and midterm goals.

The Board is conscious of shareholders' feedback regarding their concern to see management more closely aligned with their interests and with more skin in the game. While the FY24 LTI is being structured to focus management on restoring shareholder value, the STI will further support shareholder alignment by awarding the STI as a combination of cash and equity. Further details will be disclosed in the FY24 Remuneration Report.

In Summary

Despite a challenging year with various disruptions, the team have delivered guidance communicated to the market whilst also driving delivery of key strategic priorities.

The Board has made considerable progress in delivering a Board refresh, adding more diversity and experience to ensure valuable oversight of the future growth of the company.

We remain focused on progressing the strategic agenda in FY 2024 as we continue to profitably scale and grow the Pacific Smiles Group.

Jodie Leonard

Jodie Leonard
Chair Nomination & Remunerations Commitee

Remuneration report (audited)

The Board of Directors are pleased to present the Remuneration Report for the Pacific Smiles Group for the financial year ended 30 June 2023.

The Remuneration Report is set out under the following headings below:

This report details the Key Management Personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Persons covered in the Remuneration Report

Non-Executive Directors	Role
Ms Zita Peach	Appointed 18 August 2017 and subsequently Chair on 19 February 2020. Independent Non-Executive Director, Chair of the Board, member of Nominations and Remuneration Committee.
Mr Simon Rutherford	Appointed 24 September 2003. Independent Non-Executive Director, Chair of the Audit & Risk Management Committee, and member of the Property Committee.
Mr Hilton Brett	Appointed 24 August 2018. Independent Non-Executive Director, Chair of Nomination & Remuneration Committee. Resigned 30 June 2023.
Mr Mark Bloom	Appointed 18 August 2019. Independent Non-Executive Director, Chair of Property Committee, member of Audit & Risk Management Committee.
Dr Scott Kalniz	Appointed 28 January 2021. Independent Non-Executive Director appointed to the Audit & Risk Management Committee 18 August 2023.
Mr Andrew Knott	Appointed 7 February 2022. Independent Non-Executive Director, member of the Nomination & Remuneration Committee. Stood down on 19 December 2022 following the EGM.
Ms Jodie Leonard	Appointed 8 May 2023. Independent Non-Executive Director, member of the Nomination & Remuneration Committee. Appointed Chair of Nomination & Remuneration Committee 30 June 2023.
Mr Steven Rubic	Appointed 8 May 2023. Independent Non-Executive Director, member of the Nomination & Remuneration Committee and member of the Property Committee.
Executive KMP	
Mr Phil McKenzie	Group CEO and Managing Director (CEO) appointed 29 October 2018, resigned 31 August 2023.
Mr Matthew Cordingley	Chief Financial Officer (CFO) appointed 12 April 2021.
Mr Paul Robertson	Chief Commercial Officer (CCO) appointed 5 February 2016, appointed as Interim Chief Executive Officer (CEO) 1 September 2023.

1.0 Remuneration at a Glance

Our remuneration framework is designed to support delivery of Pacific Smiles Group's strategic priorities:

Strong and Engaged Culture	Operational Excellence	Network Growth	Same Centre Growth	Innovation	Total Shareholder Returns

Remuneration Principles

Clear principles guide our remuneration strategies and form the basis of Pacific Smiles Group's Remuneration Policy. The key principles are:

Attract and retain talent	Merit based	Market competitive	Align with Strategy	Reward fairly	Comply with all legal & regulatory requirements

1.1 Remuneration Framework

The remuneration framework has been designed to align Executive reward to shareholders' interests.

TOTAL FIXED REMUNERATION (TFR)

TFR consists of base salary and superannuation.

TFR is set in relation to the external market and considers:

- strategic value of the role
- size and complexity of the role
- individual responsibilities
- experience and skills.

TFR is targeted broadly in line with the 50th percentile of similar companies.

SHORT TERM INCENTIVE (STI)

The STI is currently paid as cash for achievement of a mix of short-term corporate and personal targets.

The short-term business objectives reflect the early stage of the company and are primarily based on achievement of the following goals:

- EBITDA $
- NPS outcomes

LONG TERM INCENTIVE (LTI)

The LTI aligns Executives with the Company performance and with the goals of shareholders via the award of Performance Rights.

No LTI award was awarded in FY23. The LTI plan is being restructured for FY24.

1.2 FY23 Executive KMP Remuneration Mix

The remuneration mix KMP are eligible to earn in FY23 follows:

Chief Executive Officer – Mr Phil McKenzie

[1]Stretch STI 4% (17% of TFR).

Chief Financial Officer – Mr Matthew Cordingley

[1]Stretch STI 6% (18% of TFR).

Chief Commercial Officer – Mr Paul Robertson

[1]Stretch STI 6% (18% of TFR).
[2]Value of LTI based on 60-day VWAP, noting LTI was not awarded in FY23 as it did not receive shareholder approval.

Consolidated entity performance and link to remuneration

The following table shows key performance indicators (KPI's) for the consolidated entity over the last five years.

	2023	2022	2021	2020	2019
STI Outcome	17.0%	32.9%	92.5%	0.0%	0.0%
LTI Outcome – % vesting	Nil	Nil	Nil	Nil	Nil
Dividends per share – ordinary (cents)	0.35	0.00	2.40	2.40	5.80
Underlying EBITDA $ pre-AASB 16[1]	$24.1m	$11.3m	$33.1m	$23.5m	$22.8m
Net Promoter Score (NPS) – patient	90	90	87	87	86
Share price ($) – 60 days VWAP up to 30 November of relevant year	$1.22[2]	$1.47	$2.79	$1.85	$1.65
Total Shareholder Return (TSR) ($)	(0.25)	(1.32)	0.96	0.23	0.29
Basic Earnings Per Share (EPS) (cps)	1.5	(2.8)	8.3	4.2	5.6

[1]For details of underlying EBITDA pre-AASB 16 please see the reconciliation in the Operation Report.
[2]2023 share price is calculated based on 60 day average VWAP to 30 June 2023.

2.0 Executive KMP Remuneration

The Company aims to reward Executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components. In determining Executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company's to attract and retain key talent;
- Aligned to the Company's strategic and business objectives, and the creation of shareholder value;
- Transparent;
- Acceptable to shareholders; and
- Reward for performance.

The Executive remuneration and reward framework has four components:

(i) Fixed remuneration which primarily consists of base salary and superannuation;

(ii) Short term performance incentives (STI's);

(iii) Long term incentives (LTI's); and

(iv) Other remuneration such as statutory benefits including long service leave.

The combination of these comprises the Executive's total remuneration.

In FY23, the Short-Term Incentive Plan is based on awarding cash remuneration for delivery of financial and strategic outcomes as a result of delivering key budget targets for the period 1 July 2022 to 30 June 2023. STI outcomes are based on measurement of target outcomes and release of the audited financial accounts. Executives are eligible to earn an STI payment as a percentage of Total Fixed Remuneration (TFR – base salary + superannuation) as follows.

Executive KMP	Eligible STI %
CEO	50%
Other Executive KMP	35%

2.1 Short Term Incentive (STI)

The STI targets for FY23 are outlined below:

HURDLE
Must achieve "Meets Expectations" at year-end review

MODIFIER
If financial KPI's not achieved, Non-Financial KPI's will not be paid.

FINANCIAL KPI

70% WEIGHTING

EBITDA $ TARGET	PAYOUT
$24m	14%
$25m	31%
$26m	48%
$27m	61%
$28m	75%
$28.9m	100%

ON-FINANCIAL KPI

30% WEIGHTING

		TARGET		STRETCH	
NPS	Weighting	Target	Payout	Target	Payout
Patients	10%	90	25%	91	33.3%
Dentists	10%	15	25%	18	33.3%
Employees	10%	31	25%	34	33.3%

STRETCH BONUS
If EBITDA ≥$30m is delivered, a pool of $500k is available for additional bonus payment to Executive team

No STI is payable if the STI Target and hurdles are not met by the Executives. If the Stretch Bonus target is achieved, the stretch bonus will be split between Executives at the discretion of the Board.

FY23 STI Outcomes

In FY23,17.0% of the STI was achieved based on delivery of the financial KPI, along with one of the three non-financial KPI's. Whilst it's disappointing the engagement KPI for dentists and employees were not achieved, the outcomes did improve for these cohorts, and they will continue to be a priority in FY24. The engagement surveys undertaken during the year in relation to employees showed positive responses in areas including level of management support and improved focus on key behaviours, standard operating procedures, and consistent onboarding. Dentist engagement survey feedback highlighted high levels of satisfaction relating to dentists' scope of practice, continuing levels of education and the opportunity for peer networking.

FINANCIAL KPI's		NON - FINANCIAL KPI's	
70% WEIGHTING		30% WEIGHTING	
EBITDA Target	Outcome	NPS Target	Outcome
$24m	Met	Dentists	Missed
		Patients	Met
		Employees	Missed

The following table shows the split of STI earned between financial and non-financial STI targets.

	2023	2022	2023	2022
	% of TFR paid as STI to CEO	% of TFR paid as STI to Exec KMP	% of TFR paid as STI to CEO	% of TFR paid as STI to Exec KMP
Financial targets	4.7%	3.4%	0.0%	0.0%
Non-financial targets	3.7%	2.6%	10.0%	7.3%
Total STI Achieved	**8.5%**	**6.0%**	**10.0%**	**7.3%**

2.2 Long Term Incentive (LTI)

The LTI plan is designed to assist in the motivation, retention, and reward of Executives. The LTI plan is designed to align the interests of Executives more closely with the interests of shareholders by providing an opportunity for Executives to receive an equity interest in the Company through the granting of Performance Rights based on the achievement of long-term financial targets.

Legacy LTI Plans

The following LTI grants remain on foot to be tested in the normal course.

Year	Tranche	Hurdle	Outcome
2020	6	Vesting occurs when TSR achieved between 10%-25% CAGR	On foot[1]
2021	7	Vesting occurs when TSR achieved between 10%-25% CAGR	On foot
2022	8	Vesting occurs when TSR achieved between 10%-25% CAGR	On foot
2023	N/A	No award granted	N/A

[1]Tranche 6 is due for measurement on 30 November 2023. Based on the prevailing share price, it is considered unlikely that Tranche 6 Performance Rights will vest.

Key terms and conditions of all grants are as follows:

Plan Rules	Description
Vesting Period	All tranches based on 4 year vesting period
Participant	Employees only eligible to participate
Dividends and Voting Rights	Performance Rights do not earn dividends and are not entitled to voting rights.
Service Condition	Must be employed at time of vesting to be eligible to covert Performance Rights to shares. The Board has discretion to apply "Good Leaver" status to employees who cease to be employed before the vesting period is reached due to genuine redundancy or death of for other reasons other than as would be determined as a "Bad Leaver".
Performance Conditions	Each tranche vests when total shareholder return, measured over the 4 year vesting period, is between or above the range of 10-25%
Malus	In the event of fraud, dishonesty, breach of obligations, or in the opinion of the Board vesting of the Performance Rights would result in an inappropriate benefit, the Board may make a determination, including the forfeiture of unvested Performance Rights, to ensure that no unfair benefit is obtained.
Board Discretion	Board has absolute discretion to determine the extent to which unvested Performance Rights may vest or lapse, or whether any resulting Shares which are subject to a restriction period should become unrestricted.

Plan Rules	Description
Change in Control	Under the Long-Term Incentive Plan rules, in the event of a Change of Control, unvested Performance Rights and/or unvested Options will vest on a pro rata basis based on the proportion of the Performance Period in respect of those Unvested Performance Rights and/or Unvested Options which has elapsed at the date of the Change of Control. The Board has discretion as to how to treat remaining Unvested Performance Rights and Unvested Options including, but not limited to, Vesting a portion of those Unvested Performance Rights and/or Unvested Options, applying the specified Vesting Condition performance tests at an earlier date and Vesting a portion appropriate to that level of achievement, allowing those Unvested Performance Rights and/or Unvested Options to stay 'on foot' and/or allowing those Unvested Performance Rights and/or Unvested Options to be 'swapped' into the acquiring company's Performance Rights and/or Unvested Options. Notwithstanding the terms of the Long-Term Incentive Plan, in the event of a takeover, scheme or arrangement or other transaction that may result in a person or entity becoming entitled to exercise control over the Company, the Board has absolute discretion to determine the extent to which unvested Performance Rights may vest or lapse, or whether any resulting Shares which are subject to a restriction period should become unrestricted.

Given no LTI tranche to date has resulted in equity vesting, no current Executive KMP has been awarded shares as part of their remuneration. The structure of the current LTI Plans makes attracting new Executives, and keeping current Executives engaged and aligned with shareholders a challenge that will be addressed in FY24.

2023 LTI Plan Offer

In FY23, it was the Company's intention to adopt an Absolute TSR hurdle to further align Executives with creating shareholder value.

The Notice of Meeting for the 28 November 2022 Annual General Meeting disclosed the details of the proposed vesting conditions for the FY23 LTI. The proposed LTI equity grant based on those hurdles did not receive majority shareholder approval. Some shareholders provided feedback to the Board to the effect that the hurdles for vesting of the LTI were not considered to be sufficiently challenging, and the quantum of the award to the CEO was too high.

As a result of the shareholder feedback, no LTI was granted to the CEO or Executive KMP in FY 2023. The Board are addressing shareholder feedback and the Executive remuneration framework for FY24.

2.3 Service Agreements

Remuneration and other terms of employment for Executives are formalised in employment contracts. The employment contracts specify the remuneration arrangements, benefits, notice periods and other terms and conditions. Participation in the STI and LTI plans are subject to the Board's discretion.

The current Executive contracts do not have fixed terms. Contracts may be terminated by the Executive with notice, or by the Company with notice or by payment in lieu of notice.

Executive KMP	Role	Period of notice from Company	Period of notice from employee	Termination payments
Mr Phil McKenzie	Chief Executive Officer	6 months	6 months	6 months
Mr Matthew Cordingley	Chief Financial Officer	6 months	6 months	6 months
Mr Paul Robertson	Chief Commercial Officer	3 months	3 months	3 months

2.4 FY24 Remuneration Changes

Given the Company received a strike on the Remuneration Report at the November 2022 AGM meeting, the Board has taken the feedback seriously and remuneration plans will be restructured for FY 2024. Changes will include:

- Executive fixed remuneration will be reviewed following completion of external market benchmarking versus a comparable set of companies.
- The STI plan will be redesigned to primarily reward Executives for balanced delivery of EBITDA $ and Patient Fee targets and key non-financial targets related to patient, dentist and employee engagement.
- STI's will be paid as a combination of cash and deferred equity to align Executives more strongly with the interest of shareholders. This will also provide a vehicle for clawback should the need arise.
- A new LTI plan focused on delivering three key metrics over a 3-year period.

3.0 Governance

3.1 The Role of the Board

Ultimately, the Board is responsible for the Company's remuneration policies and practices. The role of the Board is to ensure that appropriate and effective remuneration packages and policies are in place to attract and retain high quality Executives and Non-Executive Directors, and to motivate Executives to create value for our shareholders.

When reviewing performance and determining incentive outcomes, the Board ensures that performance outcomes align with market-reported outcomes, management activity and shareholder outcomes. To achieve this alignment, the Board retains discretion over final performance and incentive outcomes and recognizes that there are limited cases where adjustments should be sought.

The Board also monitors compliance with Board approved remuneration policies and practices and stays abreast of remuneration trends and the general external environment.

3.2 The Role of the Nomination and Remuneration Committee (NRC)

The Nomination and Remunerations Committee's role is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and Executives, and to ensure the remuneration policies and practices are appropriate and aligned to company performance and shareholder expectations.

Under its delegation of authority, the NRC is empowered by the Board to engage external consultants and other professional advisors if necessary to carry out its duties. The NRC ensures the CEO is not present at any discussions relating to the determination of his own remuneration.

3.3 The Role of Independent Remuneration Advisors

From time to time, the NRC may receive advice from independent remuneration consultants on benchmarks for Non-Executive Director and Executive remuneration arrangements. Benchmarks consider similar organizations in the Australian market where it competes for talent. If advisors are engaged, they report directly to the Chair of the NRC. The agreement for the provision of remuneration consulting services is executed by the Chair of the NRC under delegated authority on behalf of the Board.

4.0 KMP and Non-Executive Director Remuneration

Fees and payments to Non-Executive Directors should reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee and may consider independent benchmark information to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently of the fees of other Non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions about her own remuneration determination.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 18 November 2020, where the shareholders approved a maximum annual aggregate remuneration of $800,000. For the financial year ended 30 June 2023, the fees payable to the current Non-Executive Directors (whether in cash or securities) did not exceed $800,000 in aggregate.

Role	FY23 Fixed Remuneration including superannuation
Chair	$135,000
Non-Executive Directors	$80,000

Non-Executive Directors who devote special attention to the business of the Group or who perform services which, in the opinion of the Nomination and Remuneration Committee, are outside the scope of ordinary duties of a Director, may be remunerated for the services by the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Remuneration benchmarking continues to highlight that Non-Executive Director fees have not kept pace with the market or growth of the Company since listing. External benchmarking has indicated the Non-Executive Directors are paid well below the 50th percentile benchmark of comparable size companies. To attract and retain high calibre Directors, Non-Executive Director fees will be increased over future years to be more reflective of the Board's significant workload.

This will be reviewed by the Board as Director fees more closely align with the market norms.

4.1 Details of remuneration

The key management personnel of the Company consisted of the following Non-Executive Directors of Pacific Smiles Group Limited for the full year unless specified:

- Ms Zita Peach
- Mr Simon Rutherford
- Mr Hilton Brett (resigned 30 June 2023)
- Mr Mark Bloom
- Dr Scott Kalniz
- Mr Andrew Knott (stood down on 19 December 2022 following EGM)
- Ms Jodie Leonard (appointed 8 May 2023)
- Mr Steven Rubic (appointed 8 May 2023)

And the following Executive KMP:

- Mr Phil McKenzie (Managing Director and Chief Executive Officer – "CEO")
- Mr Paul Robertson (Chief Commercial Officer – "CCO")
- Mr Matthew Cordingley (Chief Financial Officer – "CFO")

Details of the remuneration of Key Management Personnel of the Group are set out in the following tables:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments[6]	
	Cash salary and fees	Cash bonus	Other	Super-annuation	Long service leave	Rights	Total
2023	$	$	$	$	$	$	$
Non-Executive Directors:							
Ms Zita Peach	121,894	–	–	12,799	–	–	134,693
Mr Simon Rutherford[4]	80,000	–	–	–	–	–	80,000
Mr Mark Bloom	72,263	–	–	7,588	–	–	79,851
Mr Hilton Brett[3]	72,263	–	–	7,588	–	–	79,851
Dr Scott Kalniz[5]	80,000	–	–	–	–	–	80,000
Ms Jodie Leonard[1&4]	11,795	–	–	–	–	–	11,795
Mr Steven Rubic[1]	8,354	–	–	877	–	–	9,231
Mr Andrew Knott[2]	36,332	–	–	3,815	–	–	40,147
Executive Directors:							
Mr Phil McKenzie	572,799	49,806	–	27,500	7,301	190,142	847,548
Other Key Management Personnel:							
Mr Paul Robertson	285,174	18,441	–	27,500	8,096	145,221	484,432
Mr Matthew Cordingley	408,798	24,777	–	27,500	2,725	181,884	645,684
	1,749,672	93,024	–	115,167	18,122	517,247	2,493,232

[1] Appointed 8 May 2023.

[2] Stood down following EGM on 19 December 2022.

[3] Resigned 30 June 2023.

[4] Directors fees include an allowance for superannuation.

[5] Dr Kalniz is a non-resident of Australia and superannuation is therefore not applicable.

[6] Reflects the movement in the carrying value of Performance Rights awarded in previous years, noting that they did not vest this year.

There were no termination benefits paid or payable to Key Management Personnel during 2023.

2022	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments[4]	
	Cash salary and fees $	Cash bonus $	Other $	Super-annuation $	Long service leave $	Rights $	Total $
Non-Executive Directors:							
Ms Zita Peach	114,155	–	–	11,416	–	–	125,571
Mr Simon Rutherford	75,000	–	–	–	–	–	75,000
Mr Mark Bloom	68,493	–	–	6,849	–	–	75,342
Mr Hilton Brett	68,493	–	–	6,849	–	–	75,342
Dr Scott Kalniz[1]	76,977	–	–	–	–	–	76,977
Mr Andrew Knott[2]	24,388	–	–	2,439	–	–	26,827
Mr Ben Gisz[3]	30,375	–	–	–	–	–	30,375
Executive Directors:							
Mr Phil McKenzie	590,268	56,567	–	27,500	17,278	376,211	1,067,824
Other Key Management Personnel:							
Mr Paul Robertson	315,828	21,925	–	27,500	70,448	240,933	676,634
Mr Matthew Cordingley	398,475	29,471	–	27,500	2,710	163,344	621,500
	1,762,452	107,963	–	110,053	90,436	780,488	2,851,392

[1] Dr Kalniz is a non-resident of Australia and superannuation is therefore not applicable.
[2] Appointed 7 February 2022.
[3] Resigned 23 November 2021.
[4] Reflects the movement in the carrying value of Performance Rights, noting that they did not vest this year.

At Risk Remuneration Summary

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2023	2022	2023	2022	2023	2022
Non-Executive Directors						
Ms Zita Peach	100%	100%	–	–	–	–
Mr Simon Rutherford	100%	100%	–	–	–	–
Mr Mark Bloom	100%	100%	–	–	–	–
Mr Hilton Brett	100%	100%	–	–	–	–
Dr Scott Kalniz	100%	100%	–	–	–	–
Ms Jodie Leonard	100%	100%	–	–	–	–
Mr Steven Rubic	100%	100%	–	–	–	–
Mr Andrew Knott[1]	100%	100%	–	–	–	–
Mr Ben Gisz[2]	–	100%	–	–	–	–
Executive KMP						
Mr Phil McKenzie	24%	25%	16%	13%	60%	62%
Mr Matthew Cordingley	35%	28%	18%	10%	47%	62%
Mr Paul Robertson	35%	23%	18%	8%	47%	69%

[1] Appointed 7 February 2022 and stood down 19 December 2023 following the EGM.
[2] Resigned 23 November 2021.

Cash STI Bonus Forfeited

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2023	2022	2023	2022
Executive KMP				
Mr Phil McKenzie	8.5%	10.0%	91.5%	90.0%
Mr Matthew Cordingley	6.0%	7.3%	94.0%	92.7%
Mr Paul Robertson	6.0%	7.3%	94.0%	92.7%

Share-based compensation

Issue of shares

There were no Shares issued to Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2023.

Options

There were no Options over Ordinary Shares issued to Directors and other Key Management Personnel as part of compensation that were outstanding as of 30 June 2023.

Performance Rights

There were no Performance Rights over Ordinary Shares issued to Directors and other Key Management Personnel as part of compensation that were outstanding as of 30 June 2023.

4.2 KMP Performance Rights

The terms and conditions of each grant of Performance Rights over ordinary shares affecting remuneration of Directors, Key Management Personnel and other members of the Executive team in FY23 or previous reporting years are as follows:

Grant date[1]	Number of rights granted	Vesting date	Fair value per right at grant date	Number of Rights Forfeited in Total as of 30 June 2022	Number of Rights Forfeited in FY23	Number of Rights that remain on foot as of 30 June 2023
30 November 2018	3,026,000	30 November 2022	$0.470	1,430,500	1,595,500[3]	–
30 November 2019	3,500,000	30 November 2023	$0.610	1,109,000	–	2,391,000
30 November 2020	2,902,430	30 November 2024	$0.880	271,000	300,000	2,331,430
30 November 2021	2,500,000	30 November 2025	$1.320	246,092	272,426	1,981,482
28 November 2022	nil[2]	nil	n/a	–	–	–

[1] In November 2021, the Board changed the Performance Rights conditions for Tranches 5 to 8 (grant dates 30 November 2018, 30 November 2019, 30 November 2020 and 30 November 2021). In order to ensure an undue advantage was not provided to Executives, a total of 1,336,000 Performance Rights were cancelled and disclosed to the market.

[2] 28 November 2022, at the Annual General Meeting, Resolution 5, being the "Approval of Issue of Incentive Securities to Phil McKenzie, Managing Director", was not approved by a majority of PSQ shareholders. Consequently, no performance rights were issued.

[3] Performance Rights associated with grant date 30 November 2018 did not achieve the relevant performance hurdles at the 30 November 2022 vesting date and as such all remaining performance rights were forfeited.

Performance Rights granted to date do not carry dividend or voting rights.

Performance Rights holding

The following table provides details of the number of performance rights over ordinary shares movement during the year by key management personnel of the consolidated entity, including their personally related parties, is set out below:

Performance Rights over Ordinary Shares	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other[4]	Balance at the end of the year
Mr Phil McKenzie	3,550,000	–	–	(850,000)	2,700,000
Mr Paul Robertson	1,254,371	–	–	(222,000)	1,032,371
Mr Matthew Cordingley	667,831	–	–		667,831
	5,472,202	–	–	(1,072,000)	4,400,202

[4] The rights expired/forfeited during the year relates to Performance Rights granted on 30 November 2018.

The number of Performance Rights over Ordinary Shares in the company held during the financial year by key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Grant date					
	30 November 2018	30 November 2019	30 November 2020	30 November 2021	30 November 2022	Balance at the end of the year
Mr Phil McKenzie	–	1,500,000	700,000	500,000	–	**2,700,000**
Mr Paul Robertson	–	355,000	355,000	322,371	–	**1,032,371**
Mr Matthew Cordingley	–	–	350,000	317,831	–	**667,831**
		1,855,000	1,405,000	1,140,202	–	**4,400,202**

Details of vesting profiles of Performance Rights held by each Key Management Personnel of the consolidated entity as at the end of financial year are detailed below:

Key Management Personnel	Grant date	Number of performance rights	Vesting date	Minimum value yet to vest[5]	Maximum value yet to vest[6]
Mr Phil McKenzie	30 November 2019	1,500,000	30 November 2023	nil	$95,948
	30 November 2020	700,000	30 November 2024	nil	$218,594
	30 November 2021	500,000	30 November 2025	nil	$399,208
Mr Paul Robertson	30 November 2019	355,000	30 November 2023	nil	$22,078
	30 November 2020	355,000	30 November 2024	nil	$110,859
	30 November 2021	322,371	30 November 2025	nil	$257,386
Mr Matthew Cordingley	30 November 2020	350,000	30 November 2024	nil	$109,297
	30 November 2021	317,831	30 November 2025	nil	$253,762

[5] The minimum value of Performance Rights yet to vest is nil since the rights will be forfeited if the vesting conditions are not met.

[6] The maximum value of Performance Rights yet to vest is determined based on the amount of the grant date fair value that is yet to be expensed.

4.3 KMP and Non-Executive Directors Shareholding

The number of Shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary Shares					
Non-Executive Directors					
Ms Zita Peach	50,087	–	–	–	50,087
Mr Simon Rutherford	1,744,863	–	–	–	1,744,863
Mr Mark Bloom	277,952	–	–	–	277,952
Dr Scott Kalniz	20,000	–	–	–	20,000
Mr Hilton Brett[3]	100,000	–	–	–	100,000
Ms Jodie Leonard[2]	–	–	–	–	–
Mr Steven Rubic[2]	–	–	20,000	–	20,000
Mr Andrew Knott[1]	–	–	–	–	–
Executive KMP					
Mr Phil McKenzie	10,600	–	–	–	10,600
Mr Matthew Cordingley	–	–	–	–	–
Mr Paul Robertson	200,000	–	–	–	200,000
	2,403,502	-	20,000	-	2,423,502

[1] Stood down 19 December 2022 following the EGM

[2] New Directors have complied with the Securities Trading Policy and have been unable to buy shares/additional since joining the Board given the timing of their appointment and the Blackout period.

[3] Resigned 30 June 2023

4.4 Additional disclosures relating to key management personnel

Loans to Key Management Personnel (KMP) and their related parties

There were no loans to KMP during the year.

Other transactions with KMP and their related parties

Transactions with KMP and/or related parties were conducted on terms no more favourable than those reasonably expected under arm's length dealings with unrelated parties.

There were no transactions with KMP and their related parties during the year.

This concludes the remuneration report, which has been audited.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Pacific Smiles Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Pacific Smiles Group Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Kevin Leighton

Partner

Newcastle

23 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Revenue	5	165,319	139,467
Other income	6	2,502	1,293
Expenses			
Employee expenses – direct	7	(617)	(1,313)
Other direct expenses		(8,333)	(5,305)
Consumable supplies expenses	7	(13,172)	(12,321)
Employee expenses		(80,095)	(72,812)
Occupancy expenses		(3,940)	(3,798)
Marketing expenses		(3,553)	(3,427)
Administration and other expenses		(19,653)	(18,176)
Depreciation and amortisation expense	7	(30,192)	(26,324)
Net finance costs	7	(4,343)	(3,821)
Profit/(loss) before income tax (expense)/benefit		3,923	(6,537)
Income tax (expense)/benefit	8	(1,502)	2,006
Profit/(loss) after income tax (expense)/benefit for the year		2,421	(4,531)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		2,421	(4,531)

		Cents	Cents
Basic earnings per share	37	1.5	(2.8)
Diluted earnings per share	37	1.5	(2.7)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated Balance Sheet

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022[1] $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	18,573	11,805
Receivables	10	2,946	3,478
Inventories	11	6,200	5,795
Income tax refund receivable	8	–	2,378
Other	12	1,637	928
Total current assets		29,356	24,384
Non-current assets			
Receivables	13	516	477
Property, plant and equipment	14	62,032	68,866
Right-of-use assets	15	71,455	71,021
Intangibles	16	14,579	13,463
Deferred tax	8	10,170	12,416
Total non-current assets		158,752	166,243
Total assets		188,108	190,627
LIABILITIES			
Current liabilities			
Payables	17	19,276	17,521
Lease liabilities	18	13,750	12,865
Income tax payable	8	1,442	–
Provisions	19	4,773	5,061
Total current liabilities		39,241	35,447
Non-current liabilities			
Borrowings	20	9,000	18,500
Lease liabilities	21	70,246	74,510
Provisions	22	8,354	3,657
Total non-current liabilities		87,600	96,667
Total liabilities		126,841	132,114
Net assets		61,267	58,513
EQUITY			
Contributed equity	23	52,104	51,917
Reserves	25	15,492	15,346
Retained profits/(accumulated losses)		(6,329)	(8,750)
Total equity		61,267	58,513

1. Restated. Refer to note 24 for further details.

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total Equity $'000
Balance at 1 July 2021	51,917	13,075	(3,810)	61,182
Prior period restatement[1]	–	–	(409)	(409)
Balance at 1 July 2021 – restated	51,917	13,075	(4,219)	60,773
Loss after income tax benefit for the year	–	–	(4,531)	(4,531)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive loss for the year	–	–	(4,531)	(4,531)
Share-based payments (note 38)	–	2,271	–	2,271
Balance at 30 June 2022	51,917	15,346	(8,750)	58,513

	Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total Equity $'000
Balance at 1 July 2022	51,917	15,346	(8,750)	58,513
Profit after income tax expense for the year	–	–	2,421	2,421
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	2,421	2,421
Transactions with owners in their capacity as owners:				
Share-based payments (note 38)	–	704	–	704
Contributions of equity, net of transaction costs	187	–	–	187
Dividends paid (note 26)	–	(558)	-	(558)
Balance at 30 June 2023	52,104	15,492	(6,329)	61,267

1. Restated. Refer to note 24 for further details.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		169,476	138,372
Payments to suppliers and employees		(129,010)	(112,643)
		40,466	25,729
Interest received		218	29
Interest and finance costs paid		(4,561)	(3,850)
Income taxes refunded		5,768	–
Income taxes paid		(1,017)	(4,011)
Net cash from operating activities	36	40,874	17,897
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	14,16	(11,071)	(23,380)
Proceeds from disposal of property, plant and equipment		15	623
Lease payments received from finance leases		509	625
Net cash used in investing activities		(10,547)	(22,132)
Cash flows from financing activities			
Dividends paid	26	(558)	–
(Repayment)/proceeds of borrowings		(9,500)	17,500
Repayment of lease liabilities		(13,501)	(12,407)
Net cash (used in)/from financing activities		(23,559)	5,093
Net increase in cash and cash equivalents		6,768	858
Cash and cash equivalents at the beginning of the financial year		11,805	10,947
Cash and cash equivalents at the end of the financial year	9	18,573	11,805

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Corporate information

The consolidated financial statements cover Pacific Smiles Group Limited as a consolidated entity consisting of Pacific Smiles Group Limited (the "Company") and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Pacific Smiles Group Limited's functional and presentation currency.

Pacific Smiles Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. On 21 November 2014 Pacific Smiles Group Limited was listed on the ASX. Its registered office and principal place of business is:

6 Molly Morgan Drive, Greenhills, New South Wales

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 August 2023. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities, and assets and liabilities held for sale.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, including AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141).*

These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the financial performance or position of the consolidated entity.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Smiles Group Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Pacific Smiles Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the consolidated entity's Chief Executive Officer (the chief operating decision maker). The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

Revenue recognition

The consolidated entity recognises revenue as follows:

Dental service fees

Dental service fees consist of the revenue generated from service and facility fees and professional dental fees.

Service and facility fees are generated from the services and facilities provided to dentists practising out of consolidated entity owned dental centres. Services and facilities include the provision of fully equipped surgeries, staff, marketing and other support infrastructure. The consolidated entity invoices the dentists on a monthly basis based on a percentage of patient receipts net of direct costs, which are costs directly incurred by the dentists. The percentage charged is applied to monthly patient receipts based on a Services and Facilities Agreement with the dentist. Revenue is recognised when the performance obligation, being support at the time the dentist provides a service, occurs. The Services and Facilities Agreement with the dentists allows the dentists the right to cancel the arrangement with one to three months of notice without penalty.

Professional dental fees are generated from a range of dental services to patients provided by the employed and contracted dentists. Revenue is recognised at a point in time when the performance obligation is satisfied on performance of the service for the amount charged to the patient, based on standard list price.

Dental product sales

The consolidated entity sells a range of dental products. Revenue is recognised when the product is provided to and paid for by the customer as this is when the performance obligation is satisfied.

Management fees

The consolidated entity provides comprehensive operational support to HBF Dental (HBFD) clinics across Western Australia. Revenue is recognised when the performance obligation, being the provision of the managed services to HBFD, is performed.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Pacific Smiles Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5-20 years
Plant and equipment	3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to relevant cash-generating units (CGU) for the purpose of impairment testing.

Software

Costs associated with software development and implementation, as well as perpetual licences costs, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

Rights and licences

Contractual rights and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of the rights and licences over their estimated useful lives, being fifteen years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Cash inflows considered for the purposes of impairment testing are discounted to present value.

Significant judgment has been used in testing assets for impairment and in determining the amounts recognised as impairment losses at reporting date. Further details of the key judgements and estimates along with any impairment loss recognised in the financial statements are provided in the notes dealing with the relevant asset category.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid.

Borrowings

Borrowings are measured at amortised cost. Borrowing costs are expensed as incurred.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting period.

Lease liabilities

As a lessee:

The consolidated entity leases properties under rental contracts which are typically made for fixed periods of between 5 to 10 years but may have extension options. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Generally, the consolidated entity uses its incremental borrowing rate as the discount rate.

The consolidated entity determines its incremental borrowing rate by obtaining interest rates from external financing source and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the consolidated entity is reasonably certain to exercise, lease payments in an optional renewal period if the consolidated entity is reasonably certain to exercise extension option, and penalties for early termination of a lease unless the consolidated entity is reasonably certain not to terminate early.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Rent concessions:

The consolidated entity has applied the practical expedient to not assess rent concessions affecting payments due before the 30 June 2022 that have occurred as a direct consequence of the COVID-19 pandemic as a lease modification.

The consolidated entity has recognised the amount as "other income" in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient.

As a lessor:

The consolidated entity enters into lease agreements as lessor in respect of some property leases. When the consolidated entity acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the consolidated entity makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the consolidated entity considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the consolidated entity is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the consolidated entity applies the exemption described above, then it classifies the sub-lease as an operating lease.

The consolidated entity applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease. The consolidated entity further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The consolidated entity recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Make good provision

The consolidated entity is required to restore most leased premises to their original condition at the end of their respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and repair any associated damage. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The liabilities are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefits

The consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.
The obligations are presented as a current liability in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Share-based compensation benefits are provided to selected employees via a long term incentive plan (LTI plan).

The fair value of performance rights granted under the LTI plan is recognised as an employee benefits expense with a corresponding increase in the share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. At the end of each period, the consolidated entity revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at the reporting date.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pacific Smiles Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Government grants

Government grants shall be recognised in profit or loss as other income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Changes to significant accounting policy

There were no changes to the financial reporting requirements this year that affected the disclosures in the financial statements.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Monte Carlo model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity dependent on the achievement of relevant performance and service conditions. Refer to note 38 for further details.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Refer to note 14 and note 16 for further details.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on fair value less cost of disposal, estimated using discounted cashflows. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 16 for further details.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to note 14 and note 16 for the information on non-financial assets other than goodwill and other indefinite life intangible assets.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made. Refer to note 8 for further details.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the balance sheet by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss. Refer to note 22 for further details.

Payroll tax provision for prior period Independent Dentist Contracts

A payroll tax provision has been made for the financial years 2019, 2020, 2021, and 2022 for independent dentists operating under a Service and Facilities Agreement with the consolidated entity. The provision covers potential payroll tax liability in Queensland, Victoria, and the Australian Capital Territory. The provision was estimated based on the methodology used by the NSW State Revenue Office in calculating the additional Payroll Tax liability imposed on the consolidated entity in New South Wales. The liability will be settled when the voluntary disclosures are completed and the payments are made to the respective regulatory authorities. Refer to note 7 for further details.

Note 4. Operating segments

The consolidated entity is organised into one operating segment, being activities within the dental sector throughout Eastern Australia. This operating segment is based on the internal reports that are reviewed and used by the consolidated entity's Chief Executive Officer, who is identified as the chief operating decision maker, in assessing performance and in determining the allocation of resources. The consolidated entity's operation inherently has one profile and performance assessment criteria. The financial results from this segment are consistent with the financial statements for the consolidated entity as a whole.

The chief operating decision maker uses the consolidated entity's underlying earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16, as the main measure of performance. This measure is defined as the statutory EBITDA result, adjusted for the effects of the *AASB 16 Leases* standard and excluding the impact of expenses not related to ongoing employee expenses and non-recurring or extraordinary events that would distort insights into the operational efficiency and profitability of the consolidated entity.

The reconciliation of statutory profit/(loss) before tax to underlying EBITDA pre-AASB 16 is shown on the table below.

	Ref	2023 $'000	2022 $'000
Statutory net profit/(loss) before tax		3,923	(6,537)
Depreciation and amortisation expense		30,192	26,324
Net finance cost		4,343	3,821
Statutory EBITDA		38,458	23,608
Severance expenses removed	1	242	232
Executive Long Term Incentive plan expense	2	704	2,271
Additional costs associated with the December Extraordinary General Meeting	3	536	–
Flood damaged asset write-offs	4	–	355
Net flood insurance recoveries associated with FY 2022 loss	4	(646)	–
Workers compensation insurance premium adjustments for prior years	5	238	–
Impact of prior years' payroll tax determination (excluding interest)	6	1,174	–
Adjustment to pre-AASB 16 basis	7	(16,597)	(15,196)
Underlying EBITDA pre-AASB 16		24,109	11,270

Note 1 – All termination and redundancy severance expenses have been removed as non-underlying cost as these are one-time expenses that do not reflect regular payroll expenses and including them distorts true changes in ongoing employee expenditure.

Note 2 – Similarly, the long-term incentive costs for the Executive team have been removed as these expenses are tied to specific performance criteria and do not reflect regular salary and benefits. Further, the adjustment outlined reflects that no new

Performance Rights were issued under the Long-Term Incentive Plan during the year and that Tranche 5 did not vest during the financial year.

Note 3 – The additional costs associated with the December Extraordinary General Meeting refers to the legal and consulting costs that were born as a consequence of the Section 249D notice that resulted in an Extraordinary General Meeting being called on 19 December 2022.

Note 4 – The PSG dental centre located in Lismore was damaged in a major flood event on 28 February 2022. This centre was not able to be repaired and restored and the decision was made to close the centre. The net flood insurance recoveries amount reflects the additional insurance monies received up to when the claim was finalised in January 2023.

Note 5 – During the year, PSG received premium adjustment notices regarding workers compensation premiums for prior financial years. As these are considered a change in estimate, they have been paid and included in the statutory result, however, they have been excluded from the underlying result as they relate to prior years expenditure.

Note 6 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the four financial years 2019 to 2022. It includes an estimate of the outstanding liability for payroll tax as determined by the NSW State Revenue Office (SRO) as well as an estimate for other jurisdictions for the same financial year periods, as well as the legal costs incurred during the NSW SRO audit.

Note 7 – Several adjustments to the profit and loss statement are made to reverse the impacts of the AASB 16 Leases standard and return the EBITDA result to one that is comparable to prior periods. The cash payments for leases are included in EBITDA as are the cash payments received from subleases.

Note 5. Revenue

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Dental service fees	163,335	138,056
Dental product sales	536	498
	163,871	138,554
Management fees	1,448	913
Revenue	165,319	139,467

Note 6. Other income

	2023 $'000	2022 $'000
Rents	377	481
Sundry income	1,479	312
Net flood insurance recoveries associated with FY 2022 loss	646	500
Other income	2,502	1,293

Note 7. Expenses

	2023 $'000	2022 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	7,553	6,693
Plant and equipment	7,239	6,989
Right-of-use assets	13,773	11,401
Total depreciation	28,565	25,083
Amortisation		
Software	1,562	1,176
Rights and licences	65	65
Total amortisation	1,627	1,241
Total depreciation and amortisation	30,192	26,324
Finance costs		
Interest and finance charges paid/payable on borrowings	1,012	708
Interest and finance charges paid/payable on lease liabilities	3,275	3,141
Interest paid on payroll tax settlement	274	–
Interest received/receivable	(218)	(28)
Net finance costs	4,343	3,821
Superannuation expense		
Defined contribution superannuation expense	6,631	5,628
Share-based payments expense		
Share-based payments expense	704	2,270
Direct expenses		
Other direct expenses	8,333	5,305
Employee expenses – direct	617	1,313
	8,950	6,618

Employee expenses – direct relate to the dental practitioner employment costs. Other direct expenses relate to the cost of the sale of dental products and payroll tax expenses for independent dentists operating under Service and Facility Contracts (SFA) in the financial years 2019, 2020, 2021 and 2022.

Total employee expenses for the year are $80,711,961 (2022: $74,125,324). These include employee expenses and dental practitioner employment costs presented as employee expenses – direct.

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Note 8. Income tax

	2023 $'000	2022 $'000
Income tax expense/(benefit)		
Current tax	2,450	–
Deferred tax	(817)	(1,164)
Adjustment recognised for prior periods	(131)	(842)
Aggregate income tax expense/(benefit)	1,502	(2,006)
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(817)	(1,164)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	3,923	(6,537)
Tax at the statutory tax rate of 30%	1,177	(1,961)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	45	116
Share-based payments	211	681
	1,433	(1,164)
Adjustment recognised for prior periods	(131)	(842)
Prior year temporary differences not recognised now recognised	200	–
Income tax expense/(benefit)	1,502	(2,006)

	2023 $'000	2022 $'000
Amounts credited directly to equity		
Deferred tax assets	(187)	–

	2023 $'000	2022[1] $'000
Deferred tax asset		
Net deferred tax asset comprises temporary differences attributable to:		
Allowance for expected credit losses	55	60
Property, plant and equipment	2,327	1,509
Employee benefits	1,700	1,826
Lease liabilities	25,199	26,212
Provision for lease make good	2,238	789
Accrued expenses	340	500
Intangibles	(117)	(137)
Lease receivables	(215)	(255)
Right of use assets	(21,437)	(21,306)
Prepayments and others	80	(32)
	10,170	9,166
Tax losses	–	3,250
Deferred tax asset	10,170	12,416
Movements:		
Opening balance	12,416	11,252
Credited to profit or loss	817	1,164
Credited to equity	187	-
Tax losses carry back claimed	(3,250)	-
Closing balance	10,170	12,416

1. Restated. Refer to note 24 for further details.

	2023 $'000	2022 $'000
Income tax refund receivable	–	2,378

	2023 $'000	2022 $'000
Provision for income tax	1,442	–

Note 9. Current assets – cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank and in hand	18,573	11,805

Note 10. Current assets – receivables

	2023 $'000	2022 $'000
Trade receivables	2,630	2,987
Less: Allowance for expected credit losses	(184)	(200)
	2,446	2,787
Finance lease receivables	202	375
Other receivables	298	316
	2,946	3,478

Refer to note 13 for finance lease receivables maturity analysis.

Note 11. Current assets – inventories

	2023 $'000	2022 $'000
Inventories – at cost	6,200	5,795

Inventories recognised as an expense during the 2023 financial year amounted to $12,727,025 (2022: $11,433,071). These figures were included in consumables supplies expense in the statement of profit or loss.

Note 12. Current assets – other

	2023 $'000	2022 $'000
Prepayments	1,558	781
Other	79	147
	1,637	928

Note 13. Non-current assets – receivables

	2023 $'000	2022 $'000
Finance lease receivables – rental subleases	516	477

The following table sets out a maturity analysis of finance leases receivable, showing the undiscounted lease payments to be received after the reporting date:

	2023 $'000	2022 $'000
Within one year	234	394
One to five years	556	520
Total undiscounted finance lease receivable	790	914
Less: Unearned finance income	(72)	(62)
Total finance lease receivables	718	852

Note 14. Non-current assets – property, plant and equipment

	2023 $'000	2022 $'000
Leasehold improvements – at cost	83,346	82,243
Less: Accumulated depreciation and impairment	(44,067)	(37,434)
	39,279	44,809
Plant and equipment – at cost	69,316	63,930
Less: Accumulated depreciation and impairment	(46,563)	(39,873)
	22,753	24,057
	62,032	68,866

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2021	37,378	27,710	65,088
Additions	15,155	4,592	19,747
Disposals	(1,031)	(284)	(1,315)
Transfer out to intangibles	–	(972)	(972)
Depreciation expense	(6,693)	(6,989)	(13,682)
Balance at 30 June 2022	44,809	24,057	68,866
Additions	2,593	5,959	8,552
Disposals	(570)	(24)	(594)
Depreciation expense	(7,553)	(7,239)	(14,792)
Balance at 30 June 2023	39,279	22,753	62,032

Impairment of assets

No impairment losses were recognised in the 2023 and 2022 financial years.

Note 15. Non-current assets – right-of-use assets

	2023 $'000	2022 $'000
Leases – right-of-use	111,454	99,197
Less: Accumulated depreciation	(39,999)	(28,176)
	71,455	71,021

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	$'000
Balance at 1 July 2021	55,607
Adjustment on carrying value from lease variations	(655)
Disposals	(1,528)
Additions	28,998
Depreciation expense	(11,401)
Balance at 30 June 2022	71,021
Adjustment on carrying value from lease variations	(238)
Disposals	(2,025)
Additions	16,470
Depreciation expense	(13,773)
Balance at 30 June 2023	71,455

Some property leases contain extension options exercisable by the consolidated entity before the end of the non-cancellable contract period. Where practicable, the consolidated entity seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the consolidated entity and not by the lessors. The consolidated entity assesses at the lease commencement date whether it is reasonably certain to exercise the extension options and this is included in the initial recognition. The consolidated entity reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Note 16. Non-current assets – intangibles

	2023 $'000	2022 $'000
Goodwill	12,517	12,517
Less: Impairment	(2,894)	(2,894)
	9,623	9,623
Software – at cost	10,980	8,280
Less: Accumulated amortisation	(6,416)	(4,897)
	4,564	3,383
Rights and licences	985	985
Less: Accumulated amortisation	(593)	(528)
	392	457
	14,579	13,463

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $'000	Software $'000	Rights and licences $'000	Total $'000
Balance at 1 July 2021	9,623	–	522	10,145
Additions	–	3,634	–	3,634
Disposals	–	(47)	–	(47)
Transfers in from property, plant and equipment	–	972	–	972
Amortisation expense	–	(1,176)	(65)	(1,241)
Balance at 30 June 2022	9,623	3,383	457	13,463
Additions	–	2,743	–	2,743
Amortisation expense	–	(1,562)	(65)	(1,627)
Balance at 30 June 2023	9,623	4,564	392	14,579

Impairment testing for cash generating units (CGUs)

The impairment assessments for each CGU are made on the basis of fair value less cost of disposal, estimated using discounted cashflow. The fair value measurement was categorised as a Level 3 fair value.

Based on the inputs in the valuation technique used, recoverable amounts of the CGUs exceeded their carrying values, therefore no impairment losses were recorded in the financial year.

For the purpose of impairment testing, the carrying amount of goodwill has been allocated to each CGU. The CGU is defined on a regional basis which includes multiple centres in geographical proximity. The carrying amount of goodwill allocated to each CGU is set out below:

	2023 $'000	2022 $'000
Northern New South Wales	2,453	2,453
Northern Queensland	2,446	2,446
Eastern Victoria	1,926	1,926
Western Sydney	1,317	1,317
Western Victoria	704	704
Sydney	449	449
Central New South Wales	328	328
Total goodwill	9,623	9,623

The key assumptions used in the estimation of the recoverable amount are set out below.

	2023 %	2022 %
Discount rate	13.00%	12.50%
Terminal value EBITDA growth rate	2.50%	2.50%
Budgeted EBITDA growth rate (average of next five years)	10.00%	10.00%

The calculations use discounted cash flow projections covering a five-year period that are based on detailed management projections, which consider historical financial results and trends, the Board-approved financial budget for the next financial year. The cash flow projections for year two to five differ depending on the relative maturity of each centre.

The cash flow projection from years two to five for centres that have been operating for less than five years are based on an initial growth profile which reflects the ramp associated with starting from a zero base. The trajectory of these centres allows for the annual growth rates to exceed the above outlined Budgeted EBITDA growth rate due to the compounding effect wherein the growth of each of the initial years is based on the increased base of the previous period.

In comparison, the more mature centres have already experienced the initial phases of growth and consequently the cash flow projection from years two to five for these centres are based on the key assumption of budgeted EBITDA growth rate as outlined above.

A long-term growth rate is used beyond year five in determining the terminal values, which is considered reasonable in the context of the long-term growth rates for the markets in which each CGU operates. Future cash flows are discounted using a post-tax measure based on the consolidated entity's weighted average cost of capital of 13.00% (2022: 12.50%). The pre-tax measure of the consolidated entity's weighted average cost of capital is 14.00% (2022: 13.00%).

Management has performed sensitivity analyses to the key assumptions, by increasing the discount rate up to 18% and decreasing the EBITDA growth rate down to 5%. The analyses assume that all other variables remain constant. The analyses resulted the estimated recoverable amount of the CGUs still exceeded their carrying amount. On this basis the Group considers that a reasonably possible change in the two key assumptions, being discount rate and growth rate, will not lead to the carrying amount of the CGUs exceeding their recoverable amount.

Rights and licences

As part of the consolidated entity's acquisition of the three former AHM dental centres, the consolidated entity received preferential provider support from AHM. These rights and licenses relate to AHM marketing rights at each Pacific Smiles dental centre with a further six years of amortisation remaining.

Note 17. Current liabilities – payables

	2023 $'000	2022[1] $'000
Trade and other payables	19,276	17,521

1. Restated. Refer to note 24 for further details.

Note 18. Current liabilities – lease liabilities

	2023 $'000	2022 $'000
Lease liability	13,750	12,865

Refer to note 31 for further information on lease maturity analysis.

Note 19. Current liabilities – provisions

	2023 $'000	2022 $'000
Employee benefits	4,773	5,061

Note 20. Non-current liabilities – borrowings

	2023 $'000	2022 $'000
Bank loans	9,000	18,500

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2023 $'000	2022 $'000
Bank loans	9,000	18,500

Assets pledged as security

The bank loans are secured by a registered equitable mortgage over the whole of the assets and undertakings of the consolidated entity, including uncalled capital and inter-entity guarantees.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2023 $'000	2022 $'000
Total facilities		
Bank overdraft	500	500
Bank loans	40,000	40,000
Bank guarantees	5,000	5,000
	45,500	45,500
Used at the reporting date		
Bank overdraft	–	–
Bank loans	9,000	18,500
Bank guarantees	3,841	3,823
	12,841	22,323
Unused at the reporting date		
Bank overdraft	500	500
Bank loans	31,000	21,500
Bank guarantees	1,159	1,177
	32,659	23,177

Covenants attached to bank loans were complied with during the financial year. The facility is available to the consolidated entity until 30 September 2025. Further information relating to the loans weighted average interest rate and contractual cashflow are included in note 27.

Note 21. Non-current liabilities – lease liabilities

	2023 $'000	2022 $'000
Lease liability	70,246	74,510

Refer to note 31 for further information on lease maturity analysis.

Note 22. Non-current liabilities – provisions

	2023 $'000	2022 $'000
Employee benefits	894	1,027
Lease make good	7,460	2,630
	8,354	3,657

Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

2023	Make good provision $'000
Carrying amount at the start of the year	2,630
Change in accounting estimates	4,631
Additional provisions recognised	350
Unused amounts reversed	(151)
Carrying amount at the end of the year	7,460

During the current financial year, change to the make-good provision estimates was made due to changes in the anticipated costs for future restoration of leased premises. The assessment was based on the latest available data and prevailing circumstances.

Note 23. Equity – contributed equity

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary Shares – fully paid	159,581,938	159,581,938	52,104	51,917

Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of shares held.

At shareholders' meetings, each Ordinary Share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, maintain sufficient financial flexibility to pursue its growth objectives, and maintain an optimum capital structure to reduce the cost of capital. The consolidated entity monitors its working capital continually and manages it within a Board approved finance facility. Debt covenants have been consistently achieved and monitored monthly.

Capital is regarded as total equity, as recognised in the balance sheet, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 24. Equity – Prior period restatement – indirect tax liabilities

During the period, management identified errors related to the calculation of prior year indirect tax liabilities. The reassessment results in an overall increase in tax liabilities for the 2020 and 2021 financial years. The impact on previously reported balance as at 30 June 2022 and 30 June 2021 is disclosed below:

	2022			2021		
	Previously reported $'000	Restatement $'000	As restated $'000	Previously reported $'000	Restatement[1] $'000	As restated $'000
Deferred tax assets	12,241	175	12,416	11,077	175	11,250
Total assets	190,452	175	190,627	161,270	175	161,445
Payables	16,937	584	17,521	18,699	584	19,283
Total liabilities	131,530	584	132,114	100,088	584	100,672
Retained earnings	(8,341)	(409)	(8,750)	(3,810)	(409)	(4,219)
Total equity	58,922	(409)	58,513	61,182	(409)	60,773

1. The impact of the restatement on the consolidated statement of profit or loss and other comprehensive income in 30 June 2021 is not considered material.

Note 25. Equity – reserves

	2023 $'000	2022 $'000
Profits reserve	11,829	12,387
Share-based payments reserve	3,663	2,959
	15,492	15,346

Profits reserve

The profits reserve represents current year profits transferred to a reserve to preserve the characteristic as a profit so as to quarantine from being appropriated against accumulated losses arising from the adoption of AASB 16. Such profits are available to enable payment of franked dividends in the future should the Directors declare so by resolution.

Note 26. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	2023 $'000	2022 $'000
Interim dividend for the year ended 30 June 2023 of 0.35 cents (2022: nil) per ordinary share, fully franked paid on 6 April 2023	558	–

Subsequent to the end of the financial year, the Directors have recommended the payment of a final dividend of 2.27 cents (2022: nil) per ordinary share, fully franked. The aggregate amount of the proposed dividend expected to be paid out of profit reserves in October 2023, but not recognised as a liability as at the end of the financial half-year is $3,627,463 (2022: nil).

Franking credits

	2023 $'000	2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	19,446	13,429

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of income tax payable or collection of income tax receivable.

The consolidated amount includes franking credits that would be available to the parent entity if distributed profits of subsidiaries were paid as dividends.

Note 27. Financial instruments

Financial risk management objectives

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

The Board has overall responsibility for the establishment and oversight of the risk management framework, and is supported by the Board Audit and Risk Management Committee. Senior management develops and monitors risk management policy, and reports regularly to the Directors on issues and compliance matters. Risk management principles and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The consolidated entity's principal financial instruments during the 2023 and 2022 financial years comprised bank and other loans, and cash. The main purpose of these instruments has been to raise finance for the consolidated entity's operations and investments. The consolidated entity has various other financial instruments such as trade and other debtors and creditors, which arise directly from its operations. The consolidated entity does not trade in financial instruments.

Market risk

Interest rate risk

The consolidated entity's exposure to market risk for changes in interest rates at the end of the year was minimal, with bank debt partially offset by cash balances at 30 June 2023.

Cash balances are held in a combination of short-term fixed interest deposit accounts and other cheque and on-call accounts which attract variable interest rates. The weighted average interest rate on cash balances at the end of the year was 1.06% (2022: 0.10%).

Variable rate bank loans drawn of $9,000,000 (2022: $18,500,000) form part of an ongoing loan facility which was updated during the 2022 financial year. The overall facility term expires on 30 September 2025. The loans are subject to interest charged at the prevailing variable rate payable on each reset date. The weighted average interest rate on borrowings at the end of the year was 6.14% (2022: 4.75%).

	Basis points increase			Basis points decrease		
2023	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Variable rate bank loans	100	(29)	(29)	(100)	29	29

	Basis points increase			Basis points decrease		
2022	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Variable rate bank loans	100	(75)	(75)	(100)	75	75

Credit risk

The consolidated entity has no significant concentrations of credit risk. The consolidated entity does not have significant credit exposure to any one financial institution or customer. The consolidated entity only transacts with reputable Australian banks and its credit risk on trade receivables is not considered significant.

The consolidated entity has had no bad debts (2022: nil) in the period and at 30 June 2023, no trade receivables are overdue by more than 90 days that have not been fully provided for. The ECL provision is $184,246 (2022: $200,246).

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of working capital and bank borrowings. The consolidated entity aims to achieve this flexibility by keeping committed credit lines available. Opportunities to raise additional capital from shareholders are also considered where appropriate.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows to ensure sufficient liquidity is always available to meet liability obligations as they fall due. The Group's balance sheet shows an excess of current liabilities over current assets at balance date. Liabilities have been classified as current where it is probable that they will be settled within twelve months or if there is a contractual obligation that may require settlement within twelve months, regardless of how likely settlement under contractual arrangements is judged to be. The Group's current assets, available financing facilities, and ongoing positive operating cash flows continue to be sufficient to satisfy all payment obligations within the time-frames required.

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the balance sheet. The carrying amount of these financial liabilities are disclosed in each respective note.

	Less than 6 months	Between 6 and 12 months	Between 1 and 5 years	Remaining contractual maturities
2023	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives				
Non-interest bearing				
Trade payables (note 17)	19,276	–	–	19,276
Interest-bearing – variable				
Bank loans (note 20)	280	288	9,762	10,330
Total non-derivatives	19,556	288	9,762	29,606

	Less than 6 months	Between 6 and 12 months	Between 1 and 5 years	Remaining contractual maturities
2022	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives				
Non-interest bearing				
Trade payables1 (note 17)	17,521	–	–	17,521
Interest-bearing – variable				
Bank loans (note 20)	444	454	20,683	21,581
Total non-derivatives	17,965	454	20,683	39,102

1. Restated. Refer to note 24 for further details.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 28. Key Management Personnel disclosures

Compensation

The aggregate compensation paid to Directors and other members of Key Management Personnel of the consolidated entity is set out below:

	2023 $	2022* $
Short-term employee benefits	1,842,696	1,870,415
Post-employment benefits	115,167	110,053
Long-term benefits	18,122	90,436
Share-based payments	517,247	780,488
	2,493,232	2,851,392

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the company:

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	190,900	180,000
Other services		
Tax compliance and advisory services	27,000	26,900
	217,900	206,900

Note 30. Contingent liabilities

	2023 $'000	2022 $'000
Bank guarantees	3,841	3,823

The consolidated entity has given bank guarantees as at 30 June 2023 of $3,841,030 (2022: 3,823,493) to various landlords as security for leased premises.

Note 31. Commitments

	2023 $'000	2022 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Property, plant and equipment	460	2,959
Printers	710	315
Committed at the reporting date but not recognised as liabilities:		
Within one year	664	3,144
One to five years	506	130
	1,170	3,274
Lease commitments		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	16,805	15,923
One to five years	54,170	57,765
More than five years	24,576	40,180
Total commitment	95,551	113,868
Less: Future finance charges	(11,554)	(26,493)
Net commitment recognised as liabilities	83,997	87,375

Note 32. Related party transactions

Parent entity

Pacific Smiles Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 28 and the remuneration report included in the Directors' report.

Transactions with related parties

Other than remuneration for their positions as Directors and Executives of the consolidated entity, key management personnel or entities related to them entered into a number of transactions with the consolidated entity. Information on these transactions is set out below.

Key Management Personnel or their related parties held shares in the consolidated entity during 2023 and 2022, and as such, participated in dividends.

Exandal Investments, an entity related to Alison Hughes, leased business premises to the consolidated entity during 2022 on normal commercial terms and conditions. Alison Hughes was part of Key Management Personnel for part of the 2022 financial year.

The following transactions occurred with related parties:

	2023	2022
	$	$
Rental expenses	–	345,115

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2023	2022
	$'000	$'000
Profit/(loss) after income tax	2,429	(4,354)
Total comprehensive income/(loss)	2,429	(4,354)

Balance sheet

	2023	2022[1]
	$'000	$'000
Total current assets	29,544	24,179
Total assets	188,248	190,374
Total current liabilities	38,716	33,936
Total liabilities	126,314	130,594
Equity		
Contributed equity	52,104	51,917
Profits reserve	11,829	12,953
Share-based payments reserve	3,663	2,959
Accumulated losses	(5,662)	(8,049)
Total equity	61,934	59,780

1. Restated. Refer to note 24 for further details. The restated figures of the parent entity's current liabilities, total liabilities and accumulated losses excludes $37,944 relating to Dental Smiles Group Pty Limited.

Contingent liabilities

The parent entity had no contingent liabilities, other than bank guarantees as at 30 June 2023 totalling $3,841,030 (30 June 2022: $3,823,493).

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business/ Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Dentist Smiles Group Pty Limited	Australia	100.00%	100.00%
Dental Assistant Training Solutions Pty Limited	Australia	100.00%	100.00%
Pacific Eyes Pty Limited	Australia	100.00%	100.00%
Everything Dentures Pty Limited	Australia	100.00%	100.00%

Dental Assistant Training Solutions Pty Limited, Pacific Eyes Pty Limited and Everything Dentures Pty Limited are dormant entities.

Note 35. Events after the reporting period

Resignation of CEO and Managing Director

On 11 August 2023, the Company announced the resignation of Managing Director and Chief Executive Officer (CEO), Mr Phil McKenzie, with effect from 31 August 2023. Mr Paul Robertson is appointed Interim Chief Executive Officer from 1 September 2023 in order to facilitate an orderly handover.

Final dividend declaration

Subsequent to the end of the financial year, the Directors have recommended the payment of a final dividend as disclosed in note 26.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash from operating activities

	2023 $'000	2022 $'000
Profit/(loss) after income tax (expense)/benefit for the year	2,421	(4,531)
Adjustments for:		
Depreciation and amortisation	30,192	26,326
Net loss on disposal of property, plant and equipment	591	767
Share-based payments	704	2,271
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	493	(2,123)
Increase in inventories	(405)	(39)
Decrease in deferred tax assets	2,433	1,758
Increase in other operating assets	(709)	(100)
Increase/(decrease) in payables	1,755	(1,762)
Increase/(decrease) in other provisions	(421)	630
Increase/(decrease) in income tax	3,820	(5,300)
Net cash from operating activities	40,874	17,897

Changes in liabilities arising from financing activities

	Dividend $'000	Borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2021	–	1,000	69,379	70,379
Net cash (used in)/from financing activities	–	17,500	(12,407)	5,093
New leases	–	–	32,091	32,091
Changes from discontinued leases	–	–	(1,688)	(1,688)
Interest expenses	–	663	3,142	3,805
Interest paid (presented as operating cashflow)	–	(663)	(3,142)	(3,805)
Balance at 30 June 2022	–	18,500	87,375	105,875
Net cash used in financing activities	(558)	(9,500)	(13,501)	(23,559)
Dividend declared (note 26)	558	–	–	558
New leases	–	–	12,371	12,371
Changes from discontinued leases	–	–	(2,249)	(2,249)
Interest expenses	–	1,012	3,275	4,287
Interest paid (presented as operating cashflow)	–	(1,012)	(3,275)	(4,287)
Balance at 30 June 2023	–	9,000	83,996	92,996

Note 37. Earnings per share

	2023 $'000	2022 $'000
Profit/(loss) after income tax	2,421	(4,531)

	Cents	Cents
Basic earnings per share	1.5	(2.8)
Diluted earnings per share	1.5	(2.7)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	159,581,938	159,581,938
Adjustments for calculation of diluted earnings per share:		
Performance rights	–	8,871,838
Weighted average number of ordinary shares used in calculating diluted earnings per share	159,581,938	168,453,776

Performance rights

Performance rights granted to employees under the consolidated entity's long term incentive plan are considered to be potential ordinary shares and are only included in the determination of diluted earnings per share to the extent to which they are dilutive. There were no performance rights on issue included in the calculation of diluted earnings per share because they are contingently issuable ordinary shares and the conditions for these rights to be satisfied were not met as at 30 June 2023. These performance rights could potentially dilute basic earnings per share in the future.

Note 38. Share-based payments

Long term incentive plan overview

The consolidated entity has established a long term incentive plan (LTI) to assist in the motivation, retention and reward of senior management. The LTI plan is designed to align the interests of senior management more closely with the interests of shareholders by providing an opportunity for senior management to receive an equity interest in the consolidated entity through the granting of performance rights.

Performance rights have been issued to the Chief Executive Officer and selected senior managers, at the absolute discretion of the Board, pursuant to the LTI plan in financial years 2022, 2021 and 2020.

The performance rights will vest after a set term (the performance period), and are conditional on the achievement of relevant performance and service conditions.

The details of the vesting conditions are as follows:

- Satisfaction of total shareholder return (TSR) growth performance hurdles for a four-year performance period. The number of performance rights vesting will be determined on a sliding scale from nil vesting for a TSR compound annual growth rate (CAGR) of 10% per annum or less and 100% vesting for a TSR CAGR of 25% per annum or more.
- The participant remaining employed by the consolidated entity over a four year or more period through to the vesting date, subject to certain good leaver exemptions.

Performance Rights that do not vest on the relevant vesting date will lapse. Performance rights will also lapse if total shareholder return does not reach a minimum threshold over the relevant performance period.

Set out below are summaries of Performance Rights granted under the plan:

Grant date	Vesting date	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
30/11/2018	30/11/2022	1,595,500	–	(1,595,500)	–
30/11/2019	30/11/2023	2,391,000	–	–	2,391,000
30/11/2020	30/11/2024	2,631,430	–	(300,000)	2,331,430
30/11/2021	30/11/2025	2,253,908	–	(272,426)	1,981,482
		8,871,838	–	(2,167,926)	6,703,912

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 1.36 years (2022: 2.05 years).

There was no new issuance of the Long-Term Incentive Plan during the year.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Zita Peach
Chairperson

23 August 2023

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the shareholders of Pacific Smiles Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Pacific Smiles Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue ($165,319,000)

Refer to Note 5 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Most of the Group's revenue relates to the rendering of services, the majority being dental service fees. Revenue of dental service fees was a key audit matter due to the significant audit effort to test the: • High volume of transactions recorded as revenue and significant amount of revenue recognised; • Largely manual nature of the Group's calculation of dentist payments and therefore service fee revenue, presenting risks of transactions being recorded incorrectly. In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry, and the economic environment it operates in.	Our procedures included: • Evaluating the appropriateness of the Group's revenue recognition policies for revenue streams against the requirements of AASB 15 *Revenue from Contracts with Customers*; • Testing key internal controls in the service revenue recognition process, including the review of revenue inputs and calculations, and review and dual authorisation of dentist payments. • Substantive procedures including: - Checking total patient billings and dentist payments throughout the year to the Group's bank statements. We compared total patient billings less dentist payments to the amount recorded as revenue by the Group; - Checking the calculation of the amounts paid to dentists to the terms of the underlying contracts with the dentists, for a sample of service fees recognised throughout the year; - Comparing service fees recognised in the last month of the financial year to our calculation that multiplied the average dentist fee percentages derived from percentages within dentist contracts by the total patient billings per the Group's bank statements for the month. We checked a sample of fee percentages for individual dentists to the underlying contracts; - Comparing the settlement amounts owed to dentists recognised by the Group at the end of the year to the batch payment per the post year-end bank statement. • Evaluating the adequacy of the disclosures made in the financial report against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Pacific Smiles Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Pacific Smiles Group Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 23 to 35 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Kevin Leighton

Partner

Newcastle

23 August 2023

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% Issued share capital
1 to 1,000	389	0.09
1,001 to 5,000	328	0.59
5,001 to 10,000	179	0.82
10,001 to 100,000	229	4.08
100,001 and over	67	94.42
	1,192	100.00
Holding less than a marketable parcel	225	0.02

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	41,683,931	26.12
JP Morgan Nominees Australia Pty Limited	19,929,337	12.49
Alison J Hughes	15,797,850	9.90
Dr Alexander J Abrahams	13,296,547	8.33
National Nominees Limited	10,292,867	6.45
UBS Nominees Pty Limited	8,293,207	5.20
Citicorp Nominees Pty Limited	6,412,247	4.02
Just Paddling Pty Limited	3,454,646	2.16
Susan L Abrahams	3,134,314	1.96
Robert G Cameron & Paula S Cameron	2,108,480	1.32
Channings Holdings Pty Limited	2,090,150	1.31
Karen Wright	2,022,000	1.27
Sudemo Pty Limited	1,744,863	1.09
Lodka Pty Limited	1,322,194	0.83
Trevor Collins & Dianne E Collins	1,128,480	0.71
Sterling Surgical Pty Limited	900,000	0.56
Dianne A Wheeldon	789,132	0.49
Warbont Nominees Pty Limited	781,079	0.49
Dr David Roessler	766,200	0.48
Levigrad Pty Ltd	746,936	0.47
	136,694,460	85.65

Unquoted equity securities

	Number on issue	Number of holders
Performance Rights issued under the consolidated entity's LTI plan	6,703,912	7

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Mr Alexander J Abrahams	20,076,660	12.58
HBF Health	16,000,000	10.03
Ms Alison J Hughes	15,797,850	9.90
MA Asset Mgt	12,949,983	8.11
QVG Capital	11,310,241	7.09
Regal Funds Mgt	9,720,801	6.09
Richmond Hill Capital	8,146,493	5.10

Voting rights

Each Ordinary Share carries the right to one vote. No voting rights are attached to Performance Rights.

There are no other classes of equity securities.

Corporate Directory

Directors

Ms Zita Peach
Non-Executive Chairperson and Non-executive Director

Mr Mark Bloom
Non-Executive Director

Mr Simon Rutherford
Non-Executive Director

Dr Scott Kalniz
Non-Executive Director

Mr Steven Rubic
Non-Executive Director

Ms Jodie Leonard
Non-Executive Director

Interim CEO

Mr Paul Robertson

Company Secretary

Ms Belinda Cleminson

Registered office

Level 1, 6 Molly Morgan Drive
Greenhills NSW 2323

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F: 02 4930 2099
W: www.pacificsmiles.com.au

Share register

Automic
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Sydney NSW 2000

GPO Box 5193, Sydney NSW 2001

T: 1300 288 664 (within Australia) or +61 2 9698 54514 (outside Australia)

E: hello@automicgroup.com.au

Auditor

KPMG
Level 6, 18 Honeysuckle Drive
Newcastle NSW 2300

Stock exchange listing

Pacific Smiles Group Limited shares are listed on the Australian Securities Exchange (ASX code: PSQ)

Corporate Governance Statement

The corporate governance statement is dated 30 June 2023 and reflects the corporate governance practices in place for the 2023 financial year. The corporate governance statement was approved by the Board on 23 August 2023, a copy can be found on the Pacific Smiles website.


Pacific
Smiles
Dental