

## Pacific Smiles Group Limited (ASX: PSQ)

### Appendix 4D

#### Results for Announcement to the Market

Reporting period: Half year ended 31 December 2014

Previous corresponding period: Half year ended 31 December 2013

Statutory Financial Results	31 Dec 14	31 Dec 13	Movement up/(down)	
	\$'000	\$'000	\$'000	%
Revenue from ordinary activities	37,579	28,839	8,740	30.3%
Profit from ordinary activities after tax attributable to members	3,640	4,269	(629)	(14.7%)
Net profit attributable to members	3,640	4,269	(629)	(14.7%)
Earnings per share (basic and diluted) - cents per share	2.6	3.1	(0.5)	(14.7%)
<b>Pro Forma Financial Results</b>	<b>31 Dec 14</b>	<b>31 Dec 13</b>	<b>Movement up/(down)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Revenue from ordinary activities	37,579	28,839	8,740	30.3%
Profit from ordinary activities after tax attributable to members	4,994	4,209	785	18.7%
Net profit attributable to members	4,994	4,209	785	18.7%
Earnings per share (basic and diluted) - cents per share	3.6	3.1	0.5	15.7%

For further explanation of the statutory figures above refer to the accompanying Interim Report for the half year ended 31 December 2014, which includes the Directors' Report.

The Interim Results Presentation released in conjunction with this Results Announcement provides further analysis of the results, and includes a reconciliation from the statutory profit to the pro forma profit for the half year ended 31 December 2014.

Pro Forma financial results have been prepared on a consistent basis with the Pro Forma financial information in the Company's Prospectus dated 3 November 2014. Adjustments from Statutory to Pro Forma financial results have been made to exclude the impact of IPO transaction costs expensed, and estimate the impact on the financial results for the half year and previous corresponding period as if the Company had undertaken an IPO and become a listed company at the beginning of each financial period.

Dividends	Amount per security (cps)	Franked amount
<u>Dividends paid</u>		
FY 2014 final dividend - paid 13 October 2014	2.50	100%
Pre IPO special dividend - paid 20 November 2014	1.60	100%
<u>Dividends declared</u>		
FY 2015 interim dividend declared	1.67	100%
Record date for determining entitlements to the dividend		13 March 2015
Date dividend payable		1 April 2015

The Company does not currently offer a dividend reinvestment plan.

<b>Net Tangible Assets Per Security</b>	<b>31 Dec 14 Cents</b>	<b>31 Dec 13 Cents</b>	<b>Movement up/(down)</b>	
			<b>\$'000</b>	<b>%</b>
Net tangible assets per ordinary security	17.89	13.99	3.90	27.9%

**Independent Review by Auditor**

The financial statements were reviewed by the auditor and the review report is attached as part of the Interim Report.

**Joint Ventures, Foreign Entities and Control Gained or Lost Over Entities,**

Not applicable during the period of the previous corresponding period.

**Jane Coleman**  
**Company Secretary**  
**Pacific Smiles Group Limited**

**Date: 19 February 2015**



**Pacific Smiles Group Limited**

ABN 42 103 087 449

**Interim Report**

**31 December 2014**

**Pacific Smiles Group Limited**  
**Interim Report - 31 December 2014**

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## **Pacific Smiles Group Limited Directors' report**

The directors present their report on the consolidated entity consisting of Pacific Smiles Group Limited ("the Company") and its controlled entities ("the Group") for the half year ended 31 December 2014.

### **Directors**

The following persons were directors of Pacific Smiles Group Limited during the whole of the half year and up to the date of this report:

Mr Robert Cameron AO  
Dr Alex Abrahams  
Mr John Gibbs  
Mr Simon Rutherford  
Mr Ben Gisz

Mr Grant Bourke was appointed a director on 9 October 2014 and continues in office at the date of this report.

Mr Lance Wheeldon was a director from the beginning of the financial year until his resignation on 28 August 2014.

### **Review of Operations**

Pacific Smiles Group 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.

On 21 November 2014 Pacific Smiles Group Limited was admitted to the official list of the Australian Securities Exchange, following an initial public offering of shares ("IPO"). The IPO raised a total of \$42.1 million at an issue price of \$1.30 per share. The total offer represented 21.3% of the issued shares of the Company, and comprised 15,600,000 new fully paid ordinary shares issued by the Company, being proceeds of \$20.280 million before transaction costs, with the remainder of the offer being fully paid ordinary shares offered and sold by existing shareholders as part of the process.

The Group's net profit for the half year after providing for income tax amounted to \$3.640 million (2013: \$4.269 million). The IPO had a significant impact on the statutory net profit and financial position for the half year ended 31 December 2014. When the expensed IPO transaction costs are excluded, the resulting net profit after income tax for the half year was \$5.020 million.

The scale of the Group's operations, together with revenues and profit, continued to grow during the half year compared with the prior comparative period.

Revenue increased by 30.3% to \$37.579 million, reflecting growth from existing Dental Centres, the complete half year effect from Dental Centres opened part way through FY 2014, and the opening of new Dental Centres during the period. During the half year to 31 December 2014, the Group opened four new Dental Centres, taking the total number of Centres by period end to 45.

Before allowing for the effect of the IPO transaction costs expensed to the Profit or Loss Statement, the statutory net profit after tax increased by 17.6%. The increase in net profit was largely driven by the increased revenue from the Group's Dental Centre operations outlined above, but was partially offset by the initial establishment costs of commissioning the four new dental centres, integration and higher operating costs associated with three Dental Centres acquired in June 2014, and the incremental costs of operating as a listed public company from 21 November 2014.

Analysis and discussion of non-IFRS measures, including pro forma net profit information presented on a basis consistent with the pro forma information included in the Prospectus will be included in an ASX announcement on 20 February 2015.

## **Pacific Smiles Group Limited Directors' report**

### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

### **Rounding of Amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'R. Cameron', with a stylized flourish at the end.

Robert Cameron AO  
Director

Greenhills

19 February 2015



**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 review for the interim period ended 31 December 2014 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*

KPMG

*Chris A.*

Chris Allenby  
*Partner*

Sydney

19 February 2015

**Pacific Smiles Group Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the half year ended 31 December 2014

	Notes	Half year ended	
		31 Dec 2014	31 Dec 2013
		\$'000	\$'000
<b>Revenue</b>		<b>37,579</b>	28,839
Direct expenses		<b>(1,958)</b>	(1,964)
Gross profit		<b>35,621</b>	26,875
<b>Other income</b>		<b>714</b>	481
<b>Expenses</b>			
Consumable supplies expenses		<b>(3,072)</b>	(2,579)
Employee expenses		<b>(16,127)</b>	(11,241)
Occupancy expenses		<b>(3,716)</b>	(2,916)
Marketing expenses		<b>(563)</b>	(368)
Administration and other expenses		<b>(3,454)</b>	(2,592)
IPO transaction costs expensed		<b>(1,972)</b>	-
Depreciation and amortisation expense		<b>(2,054)</b>	(1,523)
Net finance costs	3	<b>(158)</b>	(15)
<b>Profit before income tax</b>		<b>5,219</b>	6,122
Income tax expense	4	<b>(1,579)</b>	(1,853)
<b>Profit for the year</b>		<b>3,640</b>	4,269
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>3,640</b>	4,269
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
Basic earnings per share		<b>2.6</b>	3.1
Diluted earnings per share		<b>2.6</b>	3.1

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*



**Pacific Smiles Group Limited**  
**Consolidated Balance Sheet**  
As at 31 December 2014

	Notes	31 Dec 2014 \$'000	30 June 2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		12,965	3,767
Receivables		2,707	3,611
Inventories		2,090	1,990
Other		186	118
<b>Total Current Assets</b>		<b>17,948</b>	<b>9,486</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		23,005	22,010
Intangible assets		11,574	11,610
Deferred tax assets		4,099	3,178
<b>Total Non-Current Assets</b>		<b>38,678</b>	<b>36,797</b>
<b>Total Assets</b>		<b>56,626</b>	<b>46,283</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		9,152	9,452
Borrowings	6	235	228
Current tax liabilities		1,224	1,604
Provisions		2,854	2,762
<b>Total Current Liabilities</b>		<b>13,465</b>	<b>14,044</b>
<b>Non-Current Liabilities</b>			
Borrowings	6	274	9,393
Deferred tax liabilities		285	438
Provisions		3,830	3,564
<b>Total Non-Current Liabilities</b>		<b>4,389</b>	<b>13,396</b>
<b>Total Liabilities</b>		<b>17,854</b>	<b>27,440</b>
<b>Net Assets</b>		<b>38,772</b>	<b>18,843</b>
<b>EQUITY</b>			
Contributed equity	7	35,053	13,184
Reserves	8	12	-
Retained profits		3,707	5,659
<b>Total Equity</b>		<b>38,772</b>	<b>18,843</b>

*The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.*

**Pacific Smiles Group Limited**  
**Consolidated Statement of Changes in Equity**  
For the half year ended 31 December 2014

	Notes	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
<b>Consolidated Balance at 1 July 2013</b>		12,609	-	12,228	24,838
<b>Total comprehensive income for the half year</b>		-	-	4,269	4,269
<b>Transactions with owners of the Company, recognised directly in equity:</b>					
Contributions of equity, net of transaction costs		91	-	-	91
Dividends provided for or paid	5	-	-	(2,273)	(2,273)
		91	-	(2,273)	(2,182)
<b>Consolidated Balance at 31 December 2013</b>		12,700	-	14,224	26,924
<b>Consolidated Balance at 1 July 2014</b>		13,184	-	5,659	18,843
<b>Total comprehensive income for the half year</b>		-	-	3,640	3,640
<b>Transactions with owners of the Company, recognised directly in equity:</b>					
Contributions of equity, net of transaction costs		21,869	-	-	21,869
Dividends provided for or paid	5	-	-	(5,592)	(5,592)
Share based payments charge - performance rights		-	12	-	12
		21,869	12	(5,592)	16,289
<b>Consolidated Balance at 31 December 2014</b>		35,053	12	3,707	38,772

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Pacific Smiles Group Limited**  
**Consolidated Statement of Cash Flows**  
For the half year ended 31 December 2014

	<b>Half year ended</b>	
	<b>31 Dec 2014</b>	31 Dec 2013
Notes	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	42,943	31,756
Payments to suppliers and employees	<u>(32,945)</u>	<u>(24,849)</u>
	9,998	6,907
Interest received	49	110
Interest and finance costs paid	(229)	(107)
Income taxes paid	<u>(2,778)</u>	<u>(2,307)</u>
<b>Net cash inflow from operating activities</b>	<u><b>7,040</b></u>	<u>4,602</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(2,975)	(2,058)
Proceeds from disposal of property, plant and equipment	5	1
Loan repayments received	<u>192</u>	<u>-</u>
<b>Net cash outflow from investing activities</b>	<u><b>(2,778)</b></u>	<u>(2,057)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of transaction costs	19,640	91
Repayment of borrowings	(9,112)	(3,243)
Dividends paid	(5,592)	(2,273)
5	<u>4,936</u>	<u>(5,425)</u>
<b>Net cash inflow/(outflow) from financing activities</b>	<u><b>4,936</b></u>	<u>(5,425)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,198</b>	(2,880)
Cash and cash equivalents at 1 July	<u>3,767</u>	<u>9,769</u>
<b>Cash and cash equivalents at 31 December</b>	<u><b>12,965</b></u>	<u>6,889</u>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**1. Significant accounting policies**

**(a) Statement of compliance**

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Pacific Smiles Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**(b) Basis of preparation**

These 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. Cost is based on the fair value of consideration given in exchange for assets.

All amounts are presented in Australian dollar, which is the Group's functional currency.

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

The accounting policies adopted in preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2014.

Additional accounting policies are presented for new types of transactions that have occurred since the end of the previous financial year. The Group has adopted the following additional accounting policies, which have become relevant to it in connection with the Company undertaking an initial public offering ("IPO") of shares and listing on the Australian Securities Exchange on 21 November 2014.

**(c) Earnings per share**

**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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 year.

**(ii) 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 financial costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(d) Contributed equity**

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

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**(e) Employee benefits – share based payments**

Share-based compensation benefits are provided to selected employees via a Long Term Incentive Plan (“the LTI Plan”) which was established during the period, with effect from the Company’s listing on the Australian Securities Exchange. Further information on the LTI Plan is set out in note 10.

The fair value of performance rights granted under the LTI Plan is recognized as an employee benefits expense with a corresponding increase in equity. 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 Company revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

**2. Segment information**

The Group’s activities are within the Dental sector. The Group’s activities are located throughout Eastern Australia.

The financial results from this segment are consistent with the financial statements for the Group as a whole.

**3. Expenses**

	<b>Half year ended</b>	
	<b>31 Dec 2014</b>	31 Dec 2013
	<b>\$'000</b>	\$'000
Profit before tax for the half year includes the following specific items:		
Employee benefits - share based payments expense	<b>12</b>	-
Net finance costs		
Interest and finance charges paid/payable	<b>229</b>	117
Interest received/receivable	<b>(71)</b>	(102)
Total net finance costs	<b>158</b>	15

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**4. Income tax**

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate applicable for the half year to 31 December 2014 and the half year to 31 December 2013 was 30%.

**5. Dividends**

	<b>Half year ended</b>	
	<b>31 Dec 2014</b>	31 Dec 2013
	<b>\$'000</b>	\$'000
Dividends paid during the half year were as follows:		
Final dividend for the year ended 30 June 2014 of 2.50 cents (2013 - 1.67 cents) per share*, fully franked	<b>3,410</b>	2,273
Pre IPO special dividend of 1.60 cents (2013 - nil) per share*, fully franked	<b>2,182</b>	0
	<b><u>5,592</u></b>	<u>2,273</u>

**Dividends not recognised at the end of the half year**

In addition to the above dividends, since the end of the half year, the Directors have declared a fully franked interim dividend of 1.67 cents (2013 – 1.50 cents) per fully paid ordinary share\*. The aggregate amount of the dividend declared and expected to be paid on 1 April 2015 out of retained earnings at 31 December 2014, but not recognised as a liability at the end of the half year is:

	<b>2,538</b>	2,046
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\* A subdivision of capital on 9 October 2014 resulted in the conversion of each one ordinary share into three ordinary shares. Dividends per share paid during the half year and the prior comparative period have been restated and presented on a post share-split basis.

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**6. Financial Liabilities**

	<b>31 Dec 2014</b>	30 June 2014
	<b>\$'000</b>	\$'000
Bank bills	-	9,000
Bank loans	509	621
Payables and accruals	9,152	9,452
	<u>9,661</u>	<u>19,073</u>

**Financing arrangements**

	<b>31 Dec 2014</b>	30 June 2014
	<b>\$'000</b>	\$'000
Access was available at balance date to the following lines of credit:		
Total bank borrowings facilities	<b>13,309</b>	13,421
Used at balance date	<b>(2,155)</b>	(11,178)
Unused at balance date	<u><b>11,154</b></u>	<u>2,243</u>

**Fair Value**

The fair value of financial assets and liabilities held by the Group approximate the individual carrying values of those assets and liabilities.

**Security**

Bank bills, bank loans and asset finance provided by the bank are secured by registered equitable mortgage over the whole of the assets and undertakings of the Group, including uncalled capital and inter-entity guarantees.

Covenants attaching to bank borrowings were complied with during the year.

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**7. Contributed equity**

	<b>31 Dec 2014</b>	30 June 2014	<b>31 Dec 2014</b>	30 June 2014
	<b>Shares</b>	Shares	<b>\$'000</b>	\$'000
<b>Share capital</b>				
Ordinary shares - fully paid	<b>151,993,395</b>	43,641,151	<b>35,053</b>	12,545
Ordinary shares - partly paid	-	1,823,314	-	638
	<b>151,993,395</b>	45,464,465	<b>35,053</b>	13,184

Movements in ordinary share capital:

<b>Details</b>	<b>Number of shares</b>	<b>\$'000</b>
Balance 30 June 2014	45,464,465	13,184
Subdivision of capital, converting each one ordinary share into three ordinary shares	(45,464,465) 136,393,395	-
Amounts paid up on partly paid shares	-	2,188
Share issue at IPO - \$1.30 per share	15,600,000	20,280
	151,993,395	35,651
Less: Transaction costs arising on share issue	-	(856)
Deferred tax credit recognised directly in equity	-	257
Balance 31 December 2014	151,993,395	35,053

**8. Reserves**

	<b>31 Dec 2014</b>	30 June 2014
	<b>\$'000</b>	\$'000
Share based payments reserve	<b>12</b>	-



**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**9. Earnings per share**

	<b>Half year ended</b>	
	<b>31 Dec 2014</b>	31 Dec 2013
	<b>\$'000</b>	\$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	<b>3,640</b>	4,269
	<b>Shares</b>	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<b>139,869,482</b>	136,393,395
	<b>Cents</b>	Cents
Basic earnings per share	<b>2.6</b>	3.1
Diluted earnings per share	<b>2.6</b>	3.1

**Information concerning the classification of shares**

**(i) Partly paid shares**

Partly paid shares were fully paid up by the date of the IPO and listing of the Company on the ASX on 21 November 2014. Until that time, partly paid shares carried equal dividend participation and voting rights as fully paid shares, although dividends were required to be first applied to the unpaid balance of the shares. Partly paid shares have been included as ordinary share equivalents in the determination of basic and diluted earnings per share.

**(ii) Performance rights**

Performance rights granted to employees under the Company'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. The total 2,137,500 performance rights granted during the half year (2013 – nil) are not included in the calculation of diluted earnings per share because they are contingently issuable ordinary shares and conditions were not satisfied at 31 December 2014. These performance rights could potentially dilute basic earnings per share in the future.

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**10. Share based payments**

**(a) Long Term Incentive Plan overview**

During the half year, the Company established a Long Term Incentive Plan (“LTI Plan”) to assist in the motivation, retention and reward of Senior Management. 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 Company through the granting of performance rights.

Under the LTI Plan, performance rights 2,137,500 were granted to the Executive Directors and certain Executives at the time of the Company’s IPO and listing on the ASX. Those performance rights will vest after four years (the performance period), conditional on the achievement of relevant performance and service conditions measured from the listing date of 21 November 2014 to 30 June 2018. Vesting of the performance rights will be subject to:

- satisfaction of earnings per share (**EPS**) performance hurdles (measured using the FY2014 year as the base year) for the Performance Period. The number of PRs vesting will be determined on a sliding scale from nil vesting for an EPS CAGR of 15.0% per annum or less and 100% vesting for an EPS CAGR of 25.0% per annum; and
- the participant remaining employed by Pacific Smiles (or its subsidiaries) on 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 (TSR) does not reach a minimum of 10.0% per annum over the performance period.

**(b) Performance rights**

<b>Date Granted</b>	<b>Balance at 1 July 2014</b>	<b>Granted in in period</b>	<b>Forfeited or lapsed in period</b>	<b>Balance at 31 Dec 2014</b>
21 November 2014	-	2,137,500	-	2,137,500

**(c) Fair value of performance rights granted**

The fair value at grant date has been determined via pricing model which uses a Monte Carlo simulation, and takes into account the term of the right, the share price at grant date, exercise price, expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

**11. Related party transactions**

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

All key management personnel or their related parties held shares in the Company during the financial year, and as such, participated in dividends.

Bourke Family Investments Pty Limited, an entity related to Grant Bourke, subscribed for shares in the Company's IPO during the half year ended 31 December 2014.

Bislab Pty Limited ATF the Canyon Property Trust, an entity related to Alex Abrahams and Simon Rutherford, provided premises rental to the Company during 2014 and 2013 on normal commercial terms and conditions.

Exandal Investments, an entity related to Alex Abrahams and Alison Hughes, leased business premises to the Company during 2014 and 2013 on normal commercial terms and conditions.

88 Park Avenue Pty Limited ATF the Key Health Unit trust, an entity related to Alex Abrahams, leased business premises rental to the Company during the half years ended 2014 and 2013 on normal commercial terms and conditions.

Susan Abrahams, an individual related to Alex Abrahams, leased business premises to the Company during the half years ended 31 December 2014 and 2013 on normal commercial terms and conditions. The lease over these premises was surrendered in July 2014, resulting in a surrender fee being paid by Susan Abrahams to the Company. This surrender fee was recognised as a receivable at 30 June 2014.

The Company received fees for the provision of services to Alex Abrahams during half years ended 31 December 2014 and 2013 under normal terms and conditions of dental service and facility agreements.

The Company paid fees for management and support services to Whitesail Pty Limited ATF The Whitesail Trust during the half year ended 31 December 2013. The entity is related to Alex Abrahams. Fees were based on an agreement approved by the Board, which reflects commercial terms and conditions.

The Company paid consultancy fees for specific professional advice and assistance to TDM Asset Management during the half year ended 31 December 2014. TDM Asset Management is an entity related to Ben Gisz. Fees paid were based on normal commercial terms and conditions.

The aggregate amounts of each of the above types of transactions were:

	<b>Half year ended</b>	
	<b>31 Dec 2014</b>	31 Dec 2013
	\$	\$
Subscriptions for new ordinary shares – fully paid	<b>2,000,001</b>	-
Dividends paid	<b>3,340,666</b>	1,357,994
Revenues from rendering of services	<b>180,696</b>	129,477
Rental expenses	<b>607,930</b>	648,602
Fees received in relation to lease surrender	<b>475,500</b>	-
Consultancy fees paid	<b>210,367</b>	-
Administration and support services expenses	<b>5,288</b>	20,534

**Pacific Smiles Group Limited**  
**Directors' Declaration**  
31 December 2014

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 16 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Robert Cameron AO  
Director

Greenhills

19 February 2015



## **Independent auditor's review report to the members of Pacific Smiles Group Limited**

We have reviewed the accompanying interim financial report of Pacific Smiles Group Limited, which comprises the consolidated balance sheet as at 31 December 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pacific Smiles Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

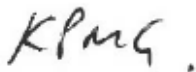
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Independent auditor's review report to the members of Pacific Smiles Group Limited (continued)**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Pacific Smiles Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Chris Allenby  
*Partner*

Sydney

19 February 2015