

1. Company details

Name of entity:	Pacific Smiles Group Limited
ABN:	42 103 087 449
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

	31 Dec 2020 \$'000	31 Dec 2019 \$'000	Movement \$'000	Up/(down) %
Statutory financial results				
Revenue from ordinary activities	78,395	67,852	10,543	15.5%
Profit from ordinary activities after tax	9,789	4,068	5,721	140.6%
Profit for the half-year	9,789	4,068	5,721	140.6%
Underlying financial results				
Revenue from ordinary activities	79,155	68,252	10,903	15.9%
Profit from ordinary activities after tax	10,385	4,618	5,767	124.9%
Profit for the half-year	10,385	4,618	5,767	124.9%
			2020 \$'000	2019 \$'000
Reconciliation of statutory to underlying profit for the half-year				
Statutory profit for the half-year			9,789	4,068
Severance and HR consultancy expense			-	92
Executive LTI plan expense			161	87
Lease adjustments			(72)	-
Non-scheduled IT outage			-	500
Asset impairment			761	-
Restructuring			-	107
Income tax effect of adjustments			(254)	(236)
Underlying profit for the year			<u>10,385</u>	<u>4,618</u>
			31 Dec 2020 Cents	31 Dec 2019 Cents
Basic earnings per share			6.4	2.7
Diluted earnings per share			6.4	2.7

Comments

The profit for the consolidated entity after providing for income tax amounted to \$9,789,000 (31 December 2019: \$4,068,000).

For further explanation of the statutory figures provided above refer to the accompanying interim report for the half-year ended 31 December 2020.

The results presentation released in conjunction with this results announcement will also provide further analysis of the results for the half-year ended 31 December 2020.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(12.39)</u>	<u>(18.65)</u>

Following the implementation of AASB 16 Leases, right of use assets are excluded from the calculation of net tangible assets per ordinary security, however, the corresponding lease liabilities are included in the calculation shown above. Should the lease liabilities be excluded from the calculation, net tangible assets per ordinary security would be \$31.77 (H1 2020: \$16.57).

4. Dividends

	Amount per security Cents	Franked amount per security Cents
FY 2021 interim dividend to be declared	2.400	2.400

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been reviewed and an unqualified conclusion has been issued. The independent auditor's review report is attached to the financial statements.

6. Signed

Signed 

Date: 16 February 2021

Zita Peach
Chairperson

Pacific Smiles Group Limited

ABN 42 103 087 449

Interim Report - 31 December 2020

Pacific Smiles Group Limited
Contents
31 December 2020



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The Directors present their report, together with the consolidated interim financial statements, on 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 half-year ended 31 December 2020.

Directors

The following persons were Directors of Pacific Smiles Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ms Zita Peach
Mr Phil McKenzie
Dr Alex Abrahams (resigned 23 July 2020)
Mr Mark Bloom
Mr Hilton Brett
Mr Ben Gisz
Mr Simon Rutherford
Dr Scott Kalniz (appointed 28 January 2021)

Principal activities

The consolidated entity 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.

Review of operations

The consolidated entity's underlying earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16, was \$21.2 million. This is an increase of 64.7% over the comparative half year period (H1 2020: \$12.9 million), reflecting strong patient fee growth, efficiency gains and the \$3.6 million approximate benefit of the Government's JobKeeper program, net of COVID-19 related impacts. The consolidated entity's entitlement to JobKeeper program ceased on 30 September 2020.

Applying accounting standard AASB 16, the underlying EBITDA was \$27.5 million. The standard resulted in the consolidated entity recognising depreciation and interest costs, rather than operating lease expenses. During the six months ended 31 December 2020, the consolidated entity recognised \$4.9 million of depreciation charges and \$1.4 million of interest costs from these leases payable. AASB 16 had an insignificant impact on net profit after tax (NPAT).

Patient fees generated by dental practitioners operating at the consolidated entity's dental centres grew in the half, resulting in statutory revenue increasing by 15.5% to \$78.4 million. Growth in patient fees is driven by the combination of growth from existing dental centres (with same centre patient fees growth of 13.2%) and new centres opened.

On 8 August 2020 the Australian Health Protection Principle Committee (AHPPC) mandated Level 3 restrictions to dental services in metropolitan Melbourne. During this time, all centres remained operational to offer emergency care within their communities. In late September, the AHPPC eased the restrictions from Level 3 to Level 1, resulted in a return to normal dental services (with COVID-19 precautions) effective from 28 September 2020.

The consolidated entity achieved an underlying NPAT, excluding the impact of AASB16, of \$10.4 million for the half year ended 31 December 2020, an increase of 106.6% over the comparative half year period (H1 2020: \$5.0 million). This result adjusts for Everything Dentures Pty Limited asset impairment compared to a non-scheduled IT outage in H1 2020, while both years were impacted by executive LTI plan expense.

The consolidated entity statutory NPAT of \$9.8 million for the half year ended 31 December 2020, an increase of \$5.7 million over the comparative half-year period (H1 2020: \$4.1 million).

The consolidated entity'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 consolidated entity'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 consolidated entity has reviewed its exposure to climate related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the consolidated entity as at 31 December 2020.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

The closure of Everything Dentures Pty Limited

In January 2021, the consolidated entity discontinued the operation of Everything Dentures Pty Limited. The associated assets were consequently presented as held for sale in the consolidated interim financial statements. Impairment losses have been included in the consolidated interim statement of profit or loss and other comprehensive income.

Other events

No other matter or circumstance has arisen since 31 December 2020 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.

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.

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 immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Zita Peach
Chairperson

16 February 2021



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 of Pacific Smiles Group Limited for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Sarah Cain

Partner

Melbourne

16 February 2021

Pacific Smiles Group Limited
Consolidated interim statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020



	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue		78,395	67,852
Other income	4	8,211	457
Expenses			
Direct expenses		(5,840)	(6,091)
Consumable supplies expenses		(7,008)	(5,204)
Employee expenses		(36,156)	(29,985)
Impairment of assets		(761)	-
Occupancy expenses		(1,405)	(1,379)
Marketing expenses		(1,483)	(1,063)
Administration and other expenses		(7,401)	(6,736)
Depreciation and amortisation expense		(10,490)	(9,821)
Net finance costs		(1,686)	(1,748)
Profit before income tax expense		14,376	6,282
Income tax expense		(4,587)	(2,214)
Profit after income tax expense for the half-year		9,789	4,068
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>9,789</u>	<u>4,068</u>
		Cents	Cents
Basic earnings per share	11	6.4	2.7
Diluted earnings per share	11	6.4	2.7

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

Pacific Smiles Group Limited
Consolidated interim balance sheet
As at 31 December 2020



	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		8,047	15,279
Receivables		1,803	4,261
Inventories		4,421	4,051
Other		705	462
		<u>14,976</u>	<u>24,053</u>
Assets of disposal groups classified as held for sale		81	630
Total current assets		<u>15,057</u>	<u>24,683</u>
Non-current assets			
Receivables		80	227
Property, plant and equipment		56,857	51,199
Right-of-use assets		55,692	51,805
Intangibles		10,178	10,608
Deferred tax		9,497	9,101
Total non-current assets		<u>132,304</u>	<u>122,940</u>
Total assets		<u>147,361</u>	<u>147,623</u>
Liabilities			
Current liabilities			
Payables		19,084	16,168
Lease liabilities		10,969	9,959
Income tax		2,594	1,654
Provisions		4,677	4,354
		<u>37,324</u>	<u>32,135</u>
Liabilities directly associated with assets classified as held for sale		-	122
Total current liabilities		<u>37,324</u>	<u>32,257</u>
Non-current liabilities			
Borrowings	5	3,000	22,000
Lease liabilities		56,824	53,240
Provisions		3,370	3,233
Total non-current liabilities		<u>63,194</u>	<u>78,473</u>
Total liabilities		<u>100,518</u>	<u>110,730</u>
Net assets		<u>46,843</u>	<u>36,893</u>
Equity			
Contributed equity	6	36,769	36,769
Reserves		4,095	3,934
Retained profits/ (accumulated losses)		5,979	(3,810)
Total equity		<u>46,843</u>	<u>36,893</u>

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

Pacific Smiles Group Limited
Consolidated interim statement of changes in equity
For the half-year ended 31 December 2020



	Contributed equity \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2019	35,053	180	5,849	41,082
Adjustment on initial application of AASB 16	-	-	(3,810)	(3,810)
Balance at 1 July 2019 - restated	35,053	180	2,039	37,272
Profit after income tax expense for the half-year	-	-	4,068	4,068
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	4,068	4,068
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments - performance rights	-	86	-	86
Dividends paid (note 7)	-	-	(5,320)	(5,320)
Balance at 31 December 2019	<u>35,053</u>	<u>266</u>	<u>787</u>	<u>36,106</u>
	Contributed equity \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2020	36,769	3,934	(3,810)	36,893
Profit after income tax expense for the half-year	-	-	9,789	9,789
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	9,789	9,789
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments - performance rights	-	161	-	161
Balance at 31 December 2020	<u>36,769</u>	<u>4,095</u>	<u>5,979</u>	<u>46,843</u>

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

Pacific Smiles Group Limited
Consolidated interim statement of cash flows
For the half-year ended 31 December 2020



	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities			
Receipts from customers		88,760	74,819
Payments to suppliers and employees		(64,268)	(54,784)
		24,492	20,035
Interest received		26	32
Government grant received		8,023	-
Interest and finance costs paid		(1,712)	(1,780)
Income taxes paid		(4,043)	(2,573)
Net cash from operating activities		26,786	15,714
Cash flows from investing activities			
Payments for property, plant and equipment		(11,149)	(6,901)
Proceeds from disposal of property, plant and equipment		6	12
Lease payments received from finance leases		187	176
Net cash used in investing activities		(10,956)	(6,713)
Cash flows from financing activities			
(Repayment of)/ proceeds from borrowings		(19,000)	3,500
Dividends paid	7	-	(5,320)
Repayment of lease liabilities		(4,062)	(3,853)
Net cash used in financing activities		(23,062)	(5,673)
Net (decrease)/ increase in cash and cash equivalents		(7,232)	3,328
Cash and cash equivalents at the beginning of the financial half-year		15,279	6,951
Cash and cash equivalents at the end of the financial half-year		<u>8,047</u>	<u>10,279</u>

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

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Note 1. Corporate information

The consolidated interim financial statements cover Pacific Smiles Group Limited as a consolidated entity consisting of Pacific Smiles Group Limited (the "Company") and the entities it controlled as at and for the six months ended 31 December 2020. 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 16 February 2021.

Note 2. Significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Historical cost convention

The condensed consolidated 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.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include non-financial asset impairment testing.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the consolidated entity are:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

Note 2. Significant accounting policies (continued)

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 did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

The amendments introduce a practical expedient into AASB 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election does account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

Impact on accounting for changes in lease payments applying the exemption

The consolidated entity has applied the practical expedient retrospectively to all rent concessions that meet the conditions in AASB 16.46B, and has not restated prior period figures.

Impact of the initial application of other news and amended Standards that are effective for the current period

In the current half-year, the consolidated entity has applied the amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) listed below, that are effective for the consolidated entity's annual reporting period that began on 1 July 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

This Standard amends AASB 3 Business Combinations. The consolidated entity has adopted the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and makes consequential amendments to several other pronouncements and publications. The consolidated entity has adopted these amendments for the first time in the current year. The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB 101. In addition, the Standard also amends other Australian Accounting Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Note 2. Significant accounting policies (continued)

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

The consolidated entity has adopted the amendments included in AASB 2019-1 for the first time in the current year. The amendments include consequential amendments to affected Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

This Standard makes amendments to AASB 1054 Additional Australian Disclosures by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors on the potential effect of an IFRS Standard that has not yet been issued by the AASB. The consolidated entity has adopted these amendments for the first time in the current year.

Note 3. 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.

Note 4. Other income

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Government grants	8,023	-
Rent	145	430
Sundry income	43	27
	<hr/>	<hr/>
Other income	<u>8,211</u>	<u>457</u>

Government grants

Government grant income relates to JobKeeper payments received or receivable from the Australian federal government.

Note 5. Non-current liabilities - borrowings

Financing arrangements

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

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Total facilities		
Bank overdraft	500	500
Bank loans	40,000	30,000
Bank guarantees	4,000	4,000
	<u>44,500</u>	<u>34,500</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loans	3,000	22,000
Bank guarantees	3,295	3,025
	<u>6,295</u>	<u>25,025</u>
Unused at the reporting date		
Bank overdraft	500	500
Bank loans	37,000	8,000
Bank guarantees	705	975
	<u>38,205</u>	<u>9,475</u>

Covenants attached to bank borrowings were complied with during the financial year.

Note 6. Equity - contributed equity

	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Ordinary shares - fully paid	<u>153,515,550</u>	<u>153,515,550</u>	<u>36,769</u>	<u>36,769</u>

Note 7. Equity - dividends

Dividends paid or provided during the financial half-year were as follows:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Final dividend paid for the year ended 30 June 2020 of nil cents (2019: 3.50 cents) per ordinary share, fully franked	-	5,320
Interim dividend provided for the year ended 30 June 2021 of 2.40 cents (2020: 2.40 cents) per ordinary share, fully franked	<u>3,684</u>	<u>3,648</u>
	<u>3,684</u>	<u>8,968</u>

Note 8. Related party transactions

Parent entity

Pacific Smiles Group Limited is the parent entity.

Note 8. Related party transactions (continued)

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 the half-years ended 31 December 2020 and 2019, and as such, participated in dividends.

Exandal Investments, an entity related to Alex Abrahams and Alison Hughes, leased business premises to the consolidated entity during the half-years ended 31 December 2020 and 2019 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 to the consolidated entity during the half-years ended 31 December 2020 and 2019 on normal commercial terms and conditions.

The consolidated entity paid fees for consultancy services to PKF during the half year ended 31 December 2020. The entity is related to Simon Rutherford, fees based on normal commercial terms and conditions.

The following transactions occurred with related parties:

	31 Dec 2020	31 Dec 2019
	\$	\$
Dividends paid	-	2,044,919
Rental expenses	216,889	217,502
Consultancy expenses	30,000	-

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 Dec 2020	30 Jun 2020
	\$	\$
Current payables:		
Trade payables to other related party	-	17,416

Note 9. Coronavirus (COVID-19) pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact after the reporting date.

During the previous financial year, the consolidated entity became eligible for certain government support in response to the coronavirus pandemic, as explained in Note 13. The situation is ongoing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Note 10. Events after the reporting period

The closure of Everything Dentures Pty Limited

In January 2021, the consolidated entity discontinued the operation of Everything Dentures Pty Limited. The associated assets were consequently presented as held for sale in the consolidated interim financial statements. Impairment losses have been included in the consolidated interim statement of profit or loss and other comprehensive income.

Other events

No other matter or circumstance has arisen since 31 December 2020 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 11. Earnings per share

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit after income tax	9,789	4,068
	Cents	Cents
Basic earnings per share	6.4	2.7
Diluted earnings per share	6.4	2.7
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	153,515,550	151,993,395
Weighted average number of ordinary shares used in calculating diluted earnings per share	153,515,550	151,993,395

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. The total performance rights on issue 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 2020. These performance rights could potentially dilute basic earnings per share in the future.

Note 12. 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.

Set out below are summaries of options granted under the plan:

31 Dec 2020

Grant date	Expiry date	Balance at the start of the half-year	Granted	Expired/ forfeited/ other	Balance at the end of the half-year
30/11/2016	30/11/2020	1,500,000	-	(1,500,000)	-
01/12/2017	01/12/2021	1,275,000	-	-	1,275,000
04/03/2019	04/03/2023	3,026,000	-	-	3,026,000
13/02/2020	13/02/2024	3,500,000	-	-	3,500,000
		<u>9,301,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>7,801,000</u>

Note 13. Government grants and government assistance

The consolidated entity became eligible for certain government support packages as a result of COVID-19 during the period.

JobKeeper Scheme (Australia)

Due to the impact of COVID-19 on the consolidated entities' turnover, government subsidies of \$8,023,497 (December 2019: nil) were received under the Australian Federal Government's JobKeeper scheme. The entity became eligible for the Scheme from its inception in March 2020 and continued receiving payments under the Scheme until September 2020.

The amounts were paid to employees in line with government's objectives of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve.

The amounts received have been recognised as other income in the statement of profit or loss.

Pacific Smiles Group Limited
Directors' declaration
31 December 2020



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink that reads "Zita Peach".

Zita Peach
Chairperson

16 February 2021



Independent Auditor's Review Report

To the shareholders of Pacific Smiles Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Pacific Smiles Group Limited.

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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Pacific Smiles Group Limited (the Company) and the entities it controlled at the Half year end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Liability limited by a scheme approved under Professional Standards Legislation.

Responsibilities of the Directors 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



KPMG



Sarah Cain

Partner

Melbourne

16 February 2021

Directors	<p>Ms Zita Peach Non-executive Chairperson</p> <p>Mr Phil McKenzie Managing Director and Chief Executive Officer</p> <p>Mr Mark Bloom Non-executive Director</p> <p>Mr Hilton Brett Non-executive Director</p> <p>Mr Ben Gisz Non-executive Director</p> <p>Mr Simon Rutherford Non-executive Director</p> <p>Dr Scott Kalniz Non-executive Director</p>
Company secretary	Mark Licciardo
Registered office	<p>Level 1, 6 Molly Morgan Drive Greenhills NSW 2323 T: 02 4930 2000 F: 02 4930 2099 W: www.pacificsmiles.com.au</p>
Share register	<p>Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 T: 1300 554 474 F: 02 9287 0303 E: registrars@linkmarketservices.com.au</p>
Auditor	<p>KPMG Tower Three, 300 Barangaroo Avenue Sydney NSW 2000</p>
Stock exchange listing	Pacific Smiles Group Limited shares are listed on the Australian Securities Exchange (ASX code: PSQ)