## 1. Company details

| | |
|---|---|
| Name of entity: | Pacific Smiles Group Limited |
| ABN: | 42 103 087 449 |
| Reporting period: | For the year ended 30 June 2024 |
| Previous period: | For the year ended 30 June 2023 |

## 2. Results for announcement to the market

| | 2024 $'000 | 2023 $'000 | Movement $'000 | Up/ (down) % |
|---|---|---|---|---|
| **Statutory financial results** | | | | |
| Revenue from ordinary activities | 179,752 | 165,319 | 14,433 | 8.7 |
| Profit from ordinary activities after tax | 8,039 | 2,421 | 5,618 | 232.1 |
| **Underlying financial results** | | | | |
| Revenue from ordinary activities | 179,752 | 165,319 | 14,433 | 8.7 |
| Underlying profit from ordinary activities after tax | 8,534 | 4,186 | 4,348 | 103.9 |

| | Note | 2024 $'000 | 2023 $'000 | Movement $'000 | Up/ (down) % |
|---|---|---|---|---|---|
| **Reconciliation of statutory to underlying profit for the year** | | | | | |
| Statutory profit/ (loss) for the year | | 8,039 | 2,421 | 5,618 | 232.1 |
| Severance expenses removed | 1 | 226 | 242 | (16) | (6.6) |
| Executive Long-Term Incentive plan (credit)/ expense | 2 | (1,815) | 704 | (2,519) | (357.8) |
| Additional costs associated with the December Extraordinary General Meeting | 3 | - | 536 | (536) | (100) |
| Costs associated with the control transaction proposals and Scheme of Arrangement | 4 | 2,313 | - | 2,313 | nm |
| Net flood insurance recoveries | 5 | - | (646) | 646 | (100) |
| Workers compensation insurance premium adjustment for prior years | 6 | 208 | 238 | (30) | (12.6) |
| Impact of prior year payroll tax determination | 7 | 1,191 | 1,447 | (256) | (17.7) |
| Change in accounting estimate for consumables | 8 | (1,415) | - | (1,415) | nm |
| Income tax effect of adjustments | | (213) | (756) | 543 | (71.8) |
| Underlying profit/ (loss) for the year | | 8,534 | 4,186 | 4,348 | |

| | 2024 Cents | 2023 Cents |
|---|---|---|
| Basic earnings per share | 5.0 | 1.5 |
| Diluted earnings per share | 5.0 | 1.5 |

*Comments*
The profit for the Group after providing for income tax amounted to $8,039,000 (30 June 2023: $2,421,000).

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. During the year, the Executive Long-Term Incentive plan expense was in credit, as the new Performance and Cash Rights issued were offset by the credits associated with Tranche 6 failing to vest, and a large number of Performance Rights forfeited due to resignations.

Note 3 – The additional costs associated with the December Extraordinary General Meeting refer 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 held on 19 December 2022.

Note 4 – The costs associated with the proposals from each of Genesis Capital Manager I Pty Ltd and NDC BidCo Pty Ltd (**NDC**) to acquire 100% of the shares in Pacific Smiles and the subsequent meeting of Pacific Smiles shareholders held on 8 August 2024 (**Scheme Meeting**) to consider and vote on a resolution to approve the proposed scheme of arrangement under which NDC would acquire 100% of the shares in Pacific Smiles (**Scheme**). They include external costs paid for consulting, financial and legal advice and other associated costs related to the Scheme and the Scheme Meeting. It also includes additional exertion payments to directors and management.

Note 5 – The PSG dental centre located in Lismore was damaged in the 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 until the claim was finalised in January 2023.

Note 6 – 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 7 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the five financial years 2019 to 2023 in the Australian Capital Territory and associated attendant legal costs incurred during the audits and PSG's objections.

Note 8 – During the year, PSG updated and improved processes and controls around dental centre consumables and the associated estimates of cost and quantity held at individual dental centres. Applying this change has resulted in a credit in the current year, which has been excluded from the underlying results as it is a non-cash adjustment that is not anticipated to recur in future periods.

For a review of the operations and activities for the year ended 30 June 2024, please refer to the Operational Overview and Insights contained in the annual report. The results presentation released in conjunction with this results announcement will also provide further analysis of the results.

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## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | (9.26) | (15.52) |

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 37.94 cents (2023: 37.12 cents).

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## 4. Dividends

*Current period*

| | Amount per security Cents | Franked amount per security Cents |
|---|---|---|
| Final dividend for the year ended 30 June 2023, paid on 9 October 2023 | 2.27 | 2.27 |
| Interim dividend for the year ended 30 June 2024, paid on 5 April 2024 | 2.10 | 2.10 |

Subsequent to the end of the financial year, the Directors have recommended the payment of a final dividend of 3.25 cents (2023: 2.27 cents) per ordinary share, fully franked. The aggregate amount of the proposed dividend expected to be paid out of profit reserves, but not recognised as a liability as at the end of the financial year is $5,182,557 (2023: $3,622,510). The record date for determining entitlements to the 2024 final dividend is 25 September 2024, with the payment date being 10 October 2024.

*Previous period*

| | Amount per security Cents | Franked amount per security Cents |
|---|---|---|
| Interim dividend for the year ended 30 June 2023, paid on 6 April 2023 | 0.35 | 0.35 |

## 5. Dividend reinvestment plan

The Company does not currently offer a dividend reinvestment plan.

## 6. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

## 7. Signed

Signed ___________________________ Date: 27 August 2024

Zita Peach
Chairperson

# Pacific Smiles Group Limited

**ABN 42 103 087 449**

# Annual Report - 30 June 2024

**Review of Operations as at 30 June 2024**

In FY 2024 Pacific Smiles continued to invest resources and management focus to drive growth and utilisation of dental centres in the network that have embedded capacity and are still maturing. Growth was driven through a combination of engaging new practitioners to utilise the services provided by Pacific Smiles and attracting new patients to meet capacity in centres. Marketing initiatives to drive new patient acquisitions were implemented, including above-the-line campaigns aimed at stimulating increased awareness and demand for Pacific Smiles dental services.

There was also continued focus on delivering operational efficiency enhancements, aimed at improving service levels and outcomes for both patients and practitioners. These were primarily targeted at improving patient experience, with increased use of online bookings, seamless appointment confirmation processes and rebooking of appointments. All these metrics improved during FY 2024.

The Company experienced an unusual level of disruption in FY 2024. In December, a proposal was received from Genesis Capital Manager I Pty Ltd (**Genesis Capital**), a private equity firm, to acquire 100% of the shares in Pacific Smiles, closely coinciding with the January appointment of Pacific Smiles new Chief Executive Officer, Mr Andrew Vidler. The proposal was initially rejected by the Board of Pacific Smiles, who then conducted a broad and thorough process to determine whether other parties had an interest in acquiring the Company at a value that the Board believed better reflected the value of the Company and was in the best interests of Pacific Smiles shareholders as a whole. This process culminated with the receipt of a binding proposal from NDC BidCo Pty Ltd (**NDC**), a portfolio company managed by Crescent Capital Partners, to acquire 100% of the shares in Pacific Smiles for $1.90 per share, which the Board supported and recommended to shareholders to approve. NDC ultimately increased its offer to $2.05 per share, which was also recommended by the Board to shareholders.

Pacific Smiles held a Scheme Meeting on 8 August 2024 (**Scheme Meeting**), at which Pacific Smiles shareholders had the opportunity to vote on a resolution to approve the proposed scheme of arrangement under which NDC would acquire 100% of the shares in Pacific Smiles (**Scheme**). The resolution to approve the Scheme was not approved by the requisite majorities of Pacific Smiles shareholders at the Scheme Meeting.

The impact of this process, which continued for a prolonged period as the Board extracted additional value from bidders, restricted the ambitions of the business to undertake further strategic initiatives, including the building of new centres. Notwithstanding this corporate activity, 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.

Operating and financial performance improved on the prior year, culminating in full year results as follows:

- underlying earnings before interest, tax, depreciation and amortisation (**EBITDA**) (excluding AASB 16) increased from $24.1m to $28.2m, an increase of 16.9%
- patient fees up 7.9% year on year to $291.8m
- group revenue up 8.7% year on year to $179.8m
- HBF Dental (**HBFD**) continued to grow delivering over 59,000 appointments, an increase of 52.2% over the prior year
- dividends of $7.0m paid to shareholders during the year
- total borrowings reduced to nil, with a net cash position of $17.7m.

The FY 2024 results reflect the Company's strategy of capitalising on the significant investments in prior periods to leverage operational efficiencies and growth in patient appointment and practitioner hours to drive profitability. There were no new centres built in FY 2024 and capital expenditure was moderated. The business did however undertake centre consolidations with the mergers of nib Newcastle and Pacific Smiles Newcastle in New South Wales (**NSW**), and nib Woden and Pacific Smiles Woden in the Australian Capital Territory (**ACT**).

The operational overview and insights discussions will focus on the underlying results for FY 2024 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 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 leased 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.

| Strategic Pillar | Description |
|---|---|
| Strong and Engaged Culture | Investment in dentist, patient and employee experience is a core pillar of the strategy and is measured via Engagement research and Net Promoter Scores (**NPS**). |
| Operational Excellence | Operational efficiency, productivity and economies of scale are driven by leveraging investments in systems, core processes and infrastructure. |
| Same Centre Growth | Leveraging growth in the existing portfolio of dental centres whilst adding additional capacity where available 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. |
| Network Optimisation | Measured investment in value-enhancing centres, existing and new, whilst balancing profit growth with prudent capital management. |
| Total Shareholder Returns | Maximising the return on equity for shareholders by increasing profitability that drives greater total shareholder returns. |

### Statutory Results

Statutory net profit after tax for the year was $8.0m. This result increased 232.1% from the FY 2023 statutory net profit after tax of $2.4m. The statutory results for the year were driven by increased patient volumes, a modest increase in pricing and a well-managed cost base.

### Underlying Results

The consolidated entity's underlying EBITDA, excluding the impact of AASB 16, increased 16.9% to $28.2m compared with the previous financial year. The reconciliation of statutory net profit before tax to underlying EBITDA pre-AASB 16 is shown in the table below.

| | | **2024** | **2023** |
|---|---|---|---|
| | | **$'000** | **$'000** |
| **Statutory net profit before tax** | | **10,725** | **3,923** |
| Depreciation and amortisation expense | | 30,332 | 30,192 |
| Net finance cost | | 3,668 | 4,343 |
| **Statutory EBITDA** | | **44,725** | **38,458** |
| Severance expenses removed | 1 | 226 | 242 |
| Executive Long-Term Incentive plan (credit) / expense | 2 | (1,815) | 704 |
| Additional costs associated with the December Extraordinary General Meeting | 3 | - | 536 |
| Costs associated with the control transaction proposals and Scheme of Arrangement | 4 | 2,313 | - |
| Net flood insurance recoveries associated with FY 2022 loss | 5 | - | (646) |
| Workers compensation insurance premium adjustments for prior years | 6 | 208 | 238 |
| Impact of prior years' payroll tax determination | 7 | 1,191 | 1,174 |
| Change in accounting estimate for consumables | 8 | (1,415) | - |
| Adjustment to pre-AASB 16 basis | 9 | (17,252) | (16,597) |
| **Underlying EBITDA pre-AASB 16** | | **28,181** | **24,109** |

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. During the year, the Executive Long-Term Incentive plan expense was in credit, as the new Performance and Cash Rights issued were offset by the credits associated with Tranche 6 failing to vest, and a large number of Performance Rights forfeited due to resignations.

Note 3 – The additional costs associated with the December Extraordinary General Meeting refer 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 held on 19 December 2022.

Note 4 – The costs associated with the proposals from each of Genesis Capital Manager I Pty Ltd and NDC BidCo Pty Ltd (**NDC**) to acquire 100% of the shares in Pacific Smiles and the subsequent meeting of Pacific Smiles shareholders held on 8 August 2024 (**Scheme Meeting**) to consider and vote on a resolution to approve the proposed scheme of arrangement under which NDC would acquire 100% of the shares in Pacific Smiles (**Scheme**). They include external costs paid for consulting, financial and legal advice and other associated costs related to the Scheme and the Scheme Meeting. It also includes additional exertion payments to directors and management.

Note 5 – The PSG dental centre located in Lismore was damaged in the 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 until the claim was finalised in January 2023.

Note 6 – 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 7 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the five financial years 2019 to 2023 in the Australian Capital Territory (**ACT**) and associated attendant legal costs incurred during the audits and PSG's objections.

Note 8 – During the year, PSG updated and improved processes and controls around dental centre consumables and the associated estimated cost and quantity held at individual dental centres. Applying this change has resulted in a credit in the current year, which has been excluded from the underlying results as it is a non-cash adjustment that is not anticipated to recur in future periods.

Note 9 – 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 103.8% to $8.5m compared to $4.2m in the prior year.

Depreciation and amortisation costs (excluding the impact of AASB 16) totalled $16.1m, a reduction of $0.3m on the prior period.

Summary of key financial results and metrics is as follows.

| **Group Financial Performance $ million** | **Underlying[1] 2024** | Underlying[1] 2023 | Change |
|---|---|---|---|
| Revenue | **179.8** | 165.3 | 8.7% |
| Gross profit[2] | **170.6** | 157.4 | 8.4% |
| EBITDA | **28.2** | 24.1 | 16.9% |
| EBIT | **12.1** | 7.7 | 56.6% |
| Net profit after tax | **8.9** | 4.5 | 98.3% |
| **Operating metrics** | | | |
| Number of dental centres | **128** | 130 | (1.5%) |
| Commissioned dental chairs | **543** | 545 | (0.4%) |
| Patient fees | **291.8** | 270.5 | 7.9% |
| Same centre patient fees growth | **7.3%** | 14.9% | 753 bps |
| **Financial metrics** | | | |
| Underlying earnings per share (cents) | **5.6** | 2.8 | 98.3% |
| EBITDA to revenue margin | **15.7%** | 14.6% | 110 bps |
| EBITDA to patient fees margin | **9.7%** | 8.9% | 80 bps |
| EBIT to revenue margin | **6.7%** | 4.7% | 200 bps |

*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 $179.8m, an increase of 8.7% over the previous financial year. Revenue consists mainly of service fees charged to the dentists who practise from centres. The increase in revenue was driven by both increased appointment volumes as the business continues to grow and scale, as well as modestly higher prices driven by small increases provided by health funds.

Patient fees increased 7.9% over the previous year to $291.8m, with same centre fees increasing 7.3%. Utilisation rates and appointment volumes increased in all but one cohort (based on age), with higher growth rates achieved in more immature centres, predominantly established in FY20 or later.

Total practitioner hours increased 3.9% in FY 2024 to approximately 717,000 hours, and the total number of appointments attended increased 3.5% to approximately 1,049,000.

Average patient visitation in FY 2024 remained consistent at approximately 1.95 visits per annum, driven by strong brand loyalty and high rebooking and appointment confirmation rates.

**Expenses**

EBITDA margins at a centre level increased slightly compared to FY 2023, despite the challenging cost environment driven by the Fair Work Commission's determination of a 5.75% wage increase for FY 2024, which affected the cost base for the majority of the Company's employees. Balancing the efficiency and productivity of the dental centre workforce against the need to provide practitioners and patients with high-quality support and care remained a priority. The staff-to-practitioner ratio (measured as the number of staff hours worked to dentist hours worked) was in line with FY 2023.

Consumable supply expenses increased only 1.3% to $13.3m from $13.2m in the prior period. These costs as a percentage of turnover reduced in comparison to FY 2023, from 4.8% to 4.5% due to continued improvement in centre purchasing processes and strong partnerships with suppliers.

Occupancy costs, including lease payments, increased 6.0% to $22.2m in FY 2024, versus $20.9m in the prior period. Approximately $0.6m of this increase is attributed to annual lease increases and $0.3m to utility prices increasing outgoings. During the year, the Company undertook two separate centre mergers, combining nib Newcastle with PSD Newcastle and nib Woden with PSD Woden. These consolidations resulted in efficiency gains and cost savings.

Repairs and maintenance expenditure on dental equipment in the network increased from $2.1m to $2.6m in FY 2024. The year-on-year rise was primarily driven by increased ageing of the dentist chair fleet and other equipment. To address this, asset management processes continue to be examined for potential improvements 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 6.4% in FY 2024 from 6.9% in the prior year. This was driven by two key factors: managing costs and headcount to align support office costs with the level of new centre growth, and an increase in revenues.

Net interest costs decreased to $0.1m from $0.8m in the prior year. Reduced interest paid on the debt facility was driven by the progressive repayment of the term debt facility combined with improved interest receipts associated with higher rates. The Company is presently debt-free.

There was an increase in expenditure classified as non-underlying in FY 2024 due to its one-off nature, which is reflected in the reconciliation of statutory to underlying EBITDA. The majority of non-underlying expenditure included: costs associated with advice and the comprehensive work related to responding to the control transaction proposals and preparation for the attendant Scheme Meeting, which took place on 8 August 2024, and the non-cash adjustment for the estimate of cost and quantities of consumables held at individual dental centres. Other adjustments are outlined in the table on page 2, reconciling Statutory net profit after tax to Underlying EBITDA.

**Payroll Tax**

During the year, Pacific Smiles received two Payroll Tax Notice of Reassessment Letters from the ACT Revenue Office in respect of the financial years from 2019 to 2022 and for financial year 2023. These letters pertained to the treatment of the Pacific Smiles' Service and Facility Agreements with dentists for payroll tax purposes and specified that Pacific Smiles was to remit a total of approximately $1.2m in payroll tax shortfalls covering the five-year period. These amounts have been paid in full to the ACT Revenue Office. This payment, and associated legal and consulting costs, have been reflected as non-underlying expenditures in the year.

Subsequent to the reassessment and payment, Pacific Smiles lodged an objection with the ACT Revenue Office in January 2024, contesting the Reassessment for the four financial years from 2019 to 2022 and, in February 2024, Pacific Smiles lodged a second objection contesting the Reassessment for the 2023 financial year. Both of these objections have been acknowledged by the ACT Revenue Office and are expected to be responded to in the first half of FY 2025.

**Capital Expenditure**

Capital expenditure for the year was lower at $3.8m, compared to FY 2023 at $11.1m, primarily due to the Company not opening any new centres during the year. The Company had planned to open up to 5 new centres in the second half of FY 2024, however restrictions imposed under the Scheme Implementation Deed with NDC meant this was not possible. With the reduction in expenditure for new centres, Pacific Smiles spent $3.4m on equipment required in the dental centres, including the purchase of 30 new A-dec dental chairs to be used in both growth initiatives and to replace ageing chairs in the fleet. Of the remaining capital expenditure, $0.3m was spent on IT-related investment and $0.2m on refurbishing dental centres.

**Systems and Technology**

Pacific Smiles' systems and technology roadmap includes advancements in digital dentistry, cybersecurity, cloud computing, and digital service transformation, continuing the commitment to driving technological excellence and innovation. Enhancements to digital patient interfaces provided an even more intuitive and engaging experience, while integrating artificial intelligence and machine learning algorithms into customer operations, reducing service response times and increasing practitioner and patient satisfaction. A new scalable CRM platform for practitioners was invested in during the year, which is an enabler for business expansion and a deeper relationship and experience with dentists.

In response to the continued presence of cyber threats, Pacific Smiles strengthened its cybersecurity monitoring and infrastructure. This year, global cyber activity intelligence was used to create advanced threat detection and response systems, improving the privacy and security of patient information.

The Company's transition to cloud-based technology solutions and the creation of a cloud-based Single Patient Record has continued to yield positive results. Pacific Smiles has also expanded its cloud infrastructure, offering greater scalability and flexibility while reducing operational costs and improving system reliability.

## Cash and Borrowings

Pacific Smiles continues its strong focus on cash management and fiscal discipline. During the year, $9.0m debt was repaid, fully repaying the amount outstanding under the Company's term debt facility.

## Centres

No new centres were opened in FY 2024. The Company had planned to open up to 5 new centres in the second half of FY 2024, however restrictions imposed under the Scheme Implementation Deed with NDC meant this was not possible.

Woden nib and Pacific Smiles Woden dental centres were combined and co-located nearby as the landlord was redeveloping the site. nib Newcastle was closed following the cessation of the lease at these premises, with the Pacific Smiles dental centre in Marketown shopping complex rebranding as nib Newcastle, bringing the total dental network at year end to 128 centres.

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

## Employees

Total employee expenses for FY 2024 of $83.3m equates to 28.5% of patient fees, compared to $80.7m or 29.8% of patient fees in the prior period.

Employee engagement remains a key priority and was actively managed during the year. Employee engagement scores increased in FY 2024 relative to the prior year from 7.4 to 7.7, and investment was made in updating of the employee value proposition to continue to improve overall satisfaction and retention levels.

## Patients of Pacific Smiles' Dentists

In FY 2024, Pacific Smiles dentists delivered 1.05 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 growth was lower than in FY 2024, which primarily reflected the fact that there were no new centres opened and that the growth in FY 2023 was inflated due to the COVID-19 impacts on the business in FY 2022.

## Practitioners

The number of active practitioners practising with Pacific Smiles at the end of FY 2024 remained stable at 764 with a planned and unplanned turnover rate of approximately 13.1%.

While the number of active practitioners remained stable, existing practitioners worked 3.9% more hours, contributing to an increase of over 27,000 practitioner hours worked in FY 2024 compared to the prior year.

**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. It is underpinned by:

- locations with a strong community and convenience proposition
- standardisation of centre design, brand, people & culture and systems
- ease of mobility for staff and practitioners across the network.

The outlook and future prospects for Pacific Smiles is favourable and the Company is optimistic about growing revenue and earnings in FY 2025, noting that the Company's growth is driven by three important levers, including:

1. *Embedded Capacity: Available capacity to fill additional appointments within the existing network*

- filling existing spare appointments
- higher utilisation of existing chairs (via more dentist hours),

2. *Cohort Maturation*

- further capacity from limited investment via new chairs in available surgeries
- higher utilisation of existing chairs (via more dentist hours)
- additional cohort maturation mix from improving offering, efficiency and pricing
- improving mix of higher value dentistry work could drive further upside,

3. *Network Optimisation*

- self-funded network centre growth remains a key long-term opportunity
- centre refurbishments and expansions
- cash flow generation and a strong business model supports continued scale.

Pacific Smiles also benefits from several valued strategic partnerships, including with nib and HBF. nib is a key health insurance partner of Pacific Smiles, cemented by a long-term close working partnership of over 20 years. Pacific Smiles owns and operates 11 nib-branded dental centres. This relationship was recently enhanced via an agreement to expand the current contractual arrangements for the provision of a gap-free offering to nib members across the whole Pacific Smiles network.

Pacific Smiles' partnership with HBF began with the Managed Services Agreement (**MSA**) whereby the Company is the exclusive operator of HBF dental centres in Western Australia. Since the inception of the MSA in FY 2021, eight HBF dental centres have been developed, with agreed plans to expand further in FY 2025.

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 are growing with Australia's ageing population.
- People aged 35 to 74 have the greatest financial means to pay for dental care – according to Australian Bureau of Statistics (**ABS**) data, 84.3% of people in this age cohort who needed to see a dentist in 2022–23 did so.
- Private health insurance (**PHI**) participation rates remain high – recent Australian Prudential Regulation Authority (**APRA**) data (December 2023) revealed continued annual PHI policy growth of 2.3%, supporting continued dental growth and ancillary claiming.
- Access to Preferred Provider Agreements (**PPA**) – 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 be able to access dental care.
- Cosmetic dentistry trend continues – increasing demand for orthodontic procedures (aligners, etc), teeth whitening, veneers and crowns.
- Ongoing growth in the corporate dental service organisation (**DSO**) model.

**The Dental Market**

IBISWorld, in its Industry Report (*Q8531: Dental Services in Australia, IBISWorld, April 2024*) has reported that the market for dental services in Australia was approximately worth $12.1b per annum in 2024 and is forecast to continue to grow over the next five years.

Non-emergency dental work (preventative and 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 in and deferral of 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, macro-economic 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 resulted from 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.

**Environmental Considerations**

Pacific Smiles is not subject to any particular or 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 the Corporate Governance Statement and related governance policies on the Company website.

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

| Risk Area | Mitigating Factors and 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' attempt to offset increased costs via operating efficiencies from increased scale. |
| A high 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 three years has laid the foundation to further capitalise on efficiencies that contribute to offsetting external margin pressures. |

| Risk Area | Mitigating Factors and Risk Management Approach |
|---|---|
| ***Legal, Regulatory and Governance*** | |
| Changes to 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 | Payroll tax risk in relation to dentists' Service and Facilities Agreements is currently managed through expert legal 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 three 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. |
| Dentists 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-credentialled. A Dental Advisory Committee oversees dentist credentials. In addition, 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. |

| Risk Area | Mitigating Factors and Risk Management Approach |
|---|---|
| ***Occupational Health and Safety (OHS)***<br><br>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 as 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.<br><br>There is a close focus on internal procedures and clinical governance by management and the Board. This is further enhanced by internal and external appointments to the Dental Advisory Committee.<br><br>OHS practices and outcomes are a priority for the Company. |
| ***People and Culture***<br><br>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 and 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, automated procedures are utilised to reduce the risk of manual errors. Industrial instruments are proactively reviewed, and management is 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 dentists' patients. Attracting, retaining and engaging team members is crucial.<br><br>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 |
|---|---|
| ***Cybersecurity and Data Management***<br><br>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 has cybersecurity controls in place to minimise technology-related business interruptions and to ensure 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***<br><br>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.<br><br>Any loss of critical Technology systems or services would result in business disruption. | A planning-for-disruption mindset has driven uplift in technology-enabled business resilience.<br>Cloud-first computing investments underpin the design of the technology platform and enable faster recovery and access to data if required.<br><br>IT Business Continuity plans continue to evolve, and critical IT business system disruption is insulated via advanced Disaster Recovery process and capability. |
| ***Business Continuity***<br><br>Should an event result in the closure, restriction or delay of key consumables or personal protective equipment (**PPE**), our ability to meet the needs of dentists and their patients could be impacted.<br><br>Should a pandemic restrict the dental services that are able to be performed in specific locations, states or nationally due to the risk of infection to staff, dentists and their patients. | Long-Term relationships with national suppliers and alternate suppliers have been identified. Pacific Smiles closely monitors inventory levels to ensure adequate stock of appropriate PPE is available. A strategy for emergency storage of critical PPE is also in place.<br><br>A process for closely monitoring and adhering to government or professional body recommendations is in place. Procedures for ensuring adequate stocks of appropriate PPE are in place, along with a close focus on internal procedures and clinical governance by management and the Board. |
| ***Environmental and Sustainability Risk***<br><br>Climate change and sustainability-related issues pose a risk to physical infrastructure and could impact our business operations.<br><br>Poor sustainability practices and controls could negatively affect stakeholder and community expectations if not managed appropriately. | A comprehensive insurance program is in place to financially protect the business from major catastrophic events to the extent that they are insurable.<br><br>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. |

| Risk Area | Mitigating Factors & Risk Management Approach |
|---|---|
| ***Shareholder Activism***<br><br>Impacts upon brand and reputation that result in a 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.<br><br>A practice of holding investor days has commenced that enables additional communication and engagement with a broader group of investors. |
| ***Shareholder Concentration Risk***<br><br>The consequence of recent activism and control transaction proposals has been a material concentration of the Pacific Smiles shareholder register. The top six shareholders now own approximately 74.4% of the total shares outstanding.<br><br>The objectives and views of the different shareholders with material ownership of Pacific Smiles may not be aligned. This may inhibit the ability of the Board and management to successfully execute its preferred strategy, negatively impacting shareholder value. | Pacific Smiles regularly and transparently communicates with all shareholders through its Investor Relations program, providing a platform for appropriate dialogue and investor feedback. |

| | |
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The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') 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 2024.

**Principal Activities**

The Company principally operates dental centres at which independent dentists practise 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.

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's website. The Company is currently reviewing the need for the establishment of an Internal Audit Committee.

**Matters Subsequent to The End of The Financial Year**

*Outcome of Scheme Meeting held on 8 August 2024*

A Scheme Meeting was held on 8 August 2024 for shareholders to vote on a Scheme Resolution approving the Scheme under which NDC would acquire 100% of the shares in Pacific Smiles for $2.05 per share. The Scheme Resolution, as set out in the Notice of Scheme Meeting included in the Scheme Booklet released to the ASX on 26 June 2024, was not approved by the requisite majorities of Pacific Smiles shareholders at the Scheme Meeting.

*Retirement of Non-Executive Chairperson*

On 19 August 2024, the Company announced the retirement of Non-Executive Chairperson, Ms Zita Peach, with effect from the close of business on 28 August 2024. The Chair role will be succeeded by current Non-Executive Director Ms Giselle Collins. Ms Collins has been on the Pacific Smiles Board since November 2023, is currently the Chair of the Audit & Risk Management Committee and chaired the Board Takeover Response Committee.

*Resignation of Non-Executive Director*

On 9 August 2024, the Company announced the resignation of Non-Executive Director, Mr Mark Bloom, with immediate effect.

*Final dividend declaration*

Subsequent to the end of the financial year, the Directors have recommended the payment of a final dividend of 3.25 cents (2023: 2.27 cents) per ordinary share, fully franked. The aggregate amount of the proposed dividend expected to be paid out of profit reserves, but not recognised as a liability as at the end of the financial year is $5,182,557 (2023: $3,622,510). The record date for determining entitlements to the 2024 final dividend is 25 September 2024, with the payment date being 10 October 2024.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group'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 as at 30 June 2024 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. | 4 |
| **Leadership and 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. | 5 |
| **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. | 5 |
| **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. | 5 |
| **Property** | Experience in property management, including asset utilisation, leasing, asset management, capital allocation and multi-location roll out. | 2 |
| **Governance** | Demonstrated experience in, or commitment to, best practice corporate standards, as well as the oversight of corporate governance frameworks, policies and processes, ideally in an ASX environment. | 3 |
| **Marketing, Digital and Data** | Extensive experience leading both B2B and B2C Marketing teams with functional leadership overseeing advertising, brand, customer relationship management and customer experience. In addition, expertise and experience in innovation, adoption and implementation of new technologies, digital disruption, leveraging digital technologies, understanding the use of data and data analytics. | 2 |
| **Stakeholder Engagement** | Experience developing stakeholder engagement plans, including an understanding of who the stakeholders are, the status of the relationship and what responsibilities the Company has to them, as well as experience managing multiple stakeholders in complex environments. | 4 |
| **Risk Management** | Experience in anticipating, recognising and managing risks, including regulatory, financial, and non-financial risks. | 3 |
| **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. | 5 |

## Directors

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

| | |
|---|---|
| **Name:** | Ms Zita Peach |
| **Title:** | Non-Executive Chairperson, appointed February 2020, retired with effect from the release of the results on 28 August 2024.<br>Non-Executive Director, appointed August 2017.<br>Member of the Nomination and Remuneration Committee. |
| **Qualifications:** | B.Sc., FAICD, FAMI |
| **Experience and expertise:** | 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, licensing and commercialising products and technologies on a global scale. Zita is a Non-Executive Director of Monash IVF Group Limited and incoming Chair of the Olivia Newton John Cancer Research Institute. Zita is also a Non-Executive Director of three privately held companies, Icon Group Pty Ltd, Nucleus Network Pty Ltd and VetPartners Pty Ltd. Zita is a Fellow of the Australian Institute of Company Directors and the Australian Marketing Institute. |
| **Other current ASX directorships:** | Monash IVF Group Limited |
| **Former directorships (last three years):** | Starpharma Holdings Limited |
| **Interests in shares:** | 135,000 |

| | |
|---|---|
| **Name:** | Mr Andrew Vidler |
| **Title:** | Managing Director and Chief Executive Officer, appointed January 2024. |
| **Qualifications:** | B.A., B.Bus. |
| **Experience and expertise:** | Andrew is an accomplished senior executive with over 30 years of experience in retail, consumer products, and health industries. He excels in driving growth and innovation within large and complex businesses, focusing on building high-performing teams that are market-oriented and customer-centric.<br>Andrew's leadership style is anchored in values and relationships, as demonstrated during his successful tenure leading Priceline and Priceline Pharmacy, navigating through the pandemic and overseeing the transition to new ownership with Wesfarmers. Prior to this, he spent over two decades at EBOS Group Ltd, establishing a comprehensive career in consumer health and pharmacy retailing. |
| **Other current ASX directorships:** | Wellnex Life Limited |
| **Former directorships (last three years):** | Nil |
| **Interests in shares:** | 43,032 |

| | |
|---|---|
| **Name:** | Mr Mark Bloom |
| **Title:** | Non-Executive Director, appointed October 2019, resigned 9 August 2024.<br>Member of the Audit and Risk Management Committee.<br>Chair of the Property Committee. |
| **Qualifications:** | B.Comm., B.Acc., CA ANZ |
| **Experience and expertise:** | 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 as Executive Director at three 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, EBOS Group Limited, Metropolitan Memorial Parks and Abacus Storage King. |
| **Other current ASX directorships:** | AGL Energy Limited, EBOS Group Limited and Abacus Storage King Limited |
| **Former directorships (last three years):** | Abacus Property Group Limited |
| **Interests in shares:** | 277,952 |

| | |
|---|---|
| **Name:** | Dr Scott Kalniz |
| **Title:** | Non-Executive Director, appointed January 2021.<br>Member of the Audit and Risk Management Committee. |
| **Qualifications:** | D.D.S. and B.S. in Business Administration, Economics (The Ohio State University) |
| **Experience and expertise:** | Dr Kalniz has over 25 years of dental industry experience in the United States. Dr Kalniz's current role is Chief Dental Officer and VP of Network Development at Beam Benefits, an employee benefits company. Dr Kalniz 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 practising 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 five 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 ASX directorships:** | Nil |
| **Former directorships (last three years):** | Nil |
| **Interests in shares:** | 10,000 |

| | |
|---|---|
| **Name:** | Ms Jodie Leonard |
| **Title:** | Non-Executive Director, appointed May 2023.<br>Member of the Nomination and Remuneration Committee and appointed Chair of Nomination and Remuneration Committee on 30 June 2023. |
| **Qualifications:** | B.Bus., Marketing, FAICD |
| **Experience and expertise:** | Jodie is an experienced Non-Executive Director and Remuneration Committee Chair of ASX listed and public companies. Her portfolio focuses 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 expertise in strategic planning, digital innovation, and marketing, with expertise across a diverse range of industries including technology, banking and financial services, consumer goods, healthcare, media, and travel and tourism. She previously held Executive 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 boards, including RACV Limited, Beyond Bank Australia Limited, Kinetic Superannuation Limited, Flexigroup Limited, BWX Limited and the Great Ocean Road Coast and Parks Authority, and is currently also on the Board of Barwon Water. |
| **Other current directorships:** | Regis Aged Care Limited |
| **Former directorships (last three years):** | XPON Technology Group Ltd<br>X2M Connect Ltd<br>Selfwealth Ltd |
| **Interests in shares:** | 38,500 |

| | |
|---|---|
| **Name:** | Mr Steven Rubic |
| **Title:** | Non-Executive Director, appointed May 2023.<br>Member Nomination & Remuneration and Property Committees. |
| **Qualifications:** | B.Health Admin, M.B.A., FAICD, FACHSM |
| **Experience and expertise:** | 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 the Mercy Partners Mater Misericordiae Limited, Invocare Ltd and Catholic Healthcare Limited, 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, Healthscope and the NSW Private Hospitals Association. He has worked closely with boards and private equity firms over the last 12 years, growing a number of businesses with a focus on commercial outcomes and delivering strong returns to shareholders. |
| **Other current directorships:** | Invocare Limited |
| **Former directorships (last three years):** | Nil |
| **Interests in shares:** | 120,000 |

| | |
|---|---|
| **Name:** | Ms Giselle Collins |
| **Title:** | Non-Executive Director, appointed November 2023.<br>Non-Executive Chair, appointed 28 August 2024.<br>Chair of the Audit & Risk Management Committee. |
| **Qualifications:** | B.Ec., G.DipAppFin., CA, GAICD |
| **Experience and expertise:** | Giselle is a chartered accountant and Director with significant executive experience in property, tourism and financial services and has worked in professional services with KPMG in Sydney, London and Zug, Switzerland and at National Roads and Motorists' Association Limited (**NRMA**) as GM in charge of Treasury, Property, Holiday Parks and the investment in the Travelodge Hotel Group.<br>Giselle's past board experience includes being the Chairman of Aon Superannuation, Chairman of the Travelodge Hotel Group and Chairman of the Heart Research Institute, and having served on the boards of BIG4 Holiday Parks, Vinomofo, ASX listed Peak Rare Earths and the Royal Australian Institute of Architects.<br>Giselle is currently Chairman of Hotel Property Investments (ASX:HPI), a Non-Executive Director for both Generation Development Group (ASX:GDG) and Cooper Energy (ASX:COE). |
| **Other current ASX directorships:** | Hotel Property Investments Limited<br>Generation Development Group Limited<br>Cooper Energy Limited |
| **Former directorships (last three years):** | Peak Rare Earths Limited |
| **Interests in shares:** | 10,000 |

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

| | |
|---|---|
| **Name:** | Mr Simon Rutherford |
| **Title:** | Non-Executive Director, appointed September 2003.<br>Chair of the Audit & Risk Management Committee. Retired 22 November 2023. |
| **Qualifications:** | B.Comm., CA, FAICD |
| **Experience and expertise:** | Simon is a chartered accountant and partner with PKF business advisory services where he has worked for over 36 years. He works with corporate and family-owned groups as an advisory Board member and lead advisor 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 three years):** | Nil |
| **Interests in shares:** | 1,744,863 |

| | |
|---|---|
| **Name:** | Mr Phil McKenzie |
| **Title:** | Managing Director and Chief Executive Officer, appointed October 2018. Resigned 31 August 2023. |
| **Qualifications:** | B.Bus. |
| **Experience and expertise:** | 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 AMG, 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, where he 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 three years):** | Nil |
| **Interests in shares:** | 10,600 |

## Executive Team

**Mr Andrew Vidler**
Managing Director and Chief Executive Officer
B.A., B.Bus.

Biography available in Directors section.

**Mr Matthew Cordingley**
Chief Financial Officer
B.Bus.

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

Matthew was previously 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.

**Mr Paul Robertson**
Chief Commercial Officer
B.Comm.

Paul's career has focused on senior operational management roles in private healthcare facilities.

He has managed several private hospitals of varying sizes, providing a wide range of medical services. Paul has specialised in managing transition and operation of newly acquired facilities. With a financial background, Paul has also overseen group-wide corporate functions and significant involvement in multi-disciplinary project teams.

## 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 2024, and the number of meetings attended by each Director as follows.

| | Board Meetings | | Audit & Risk Committee | | Nomination & Remuneration Committee | | Property Committee | |
|---|---|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Ms Zita Peach[7] | 38 | 37 | - | - | 9 | 9 | - | - |
| Mr Andrew Vidler[5] | 22 | 22 | - | - | - | - | - | - |
| Mr Mark Bloom[6] | 38 | 34 | 4 | 4 | - | - | 5 | 5 |
| Dr Scott Kalniz[1] | 38 | 32 | 4 | 4 | - | - | - | - |
| Ms Jodie Leonard | 38 | 37 | - | - | 9 | 9 | - | - |
| Mr Steven Rubic | 38 | 37 | - | - | 9 | 9 | 4 | 3 |
| Ms Giselle Collins[2] | 29 | 29 | 3 | 3 | - | - | 3 | 3 |
| Mr Simon Rutherford[3] | 8 | 5 | 1 | - | - | - | 2 | 2 |
| Mr Phil McKenzie[4] | 3 | 3 | - | - | - | - | - | - |

*[1] Dr 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] Ms Collins was appointed 22 November 2023.*
*[3] Mr Rutherford retired 22 November 2023.*
*[4] Mr McKenzie resigned 31 August 2023.*
*[5] Mr Vidler was appointed 15 January 2024.*
*[6] Mr Bloom resigned 9 August 2024.*
*[7] Ms Peach retired with effect from the release of results on 28 August 2024.*

## Scheduled and unscheduled meetings

The Board attended to a regular schedule of Board meetings in FY 2024. In addition, a number of unscheduled meetings were held to address out-of-cycle meetings for issues (mostly relating the control transaction proposals) 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:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| *Audit services:* | | |
| Audit and review of the financial statements | 200,000 | 190,900 |
| *Other services:* | | |
| Tax compliance and advisory services | 55,330 | 27,000 |
| Other advisory services | 57,997 | - |
| | 113,327 | 27,000 |
| | 313,327 | 217,900 |

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 Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- 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 thousand dollars.

**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 2024 has been received and can be found on page 44 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 1 to 12 inclusive in the Financial Report.
2. Matters subsequent to end of the financial year as outlined in page 14.
3. The Remuneration Report on pages 24 to 43.
4. Auditor's Independence Declaration on page 44.

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

27 August 2024

# Remuneration Report

Dear Shareholders

On behalf of the Board, I am pleased to share with you the FY 2024 Remuneration Report.

It was another positive year in terms of organisational performance, despite a challenging external environment and the additional workload generated by entering into a Scheme Implementation Deed with NDC Bidco Pty Ltd (**NDC**) and the prolonged control transaction process.

Despite the challenges, Management and the broader team remained focused on delivering best-in-class services to our dentists and patients, as well as optimising the network and driving robust financial outcomes for shareholders.

Pleasingly, patient sentiment also remained in the upper quartile with a 90 NPS score, which is a testament to the organisational culture and the team's commitment to delivering an exceptional patient experience.

### Board Refresh

The Board refresh that commenced in FY 2023 was finalised in FY 2024. Giselle Collins was appointed as Non-Executive Director and Chair of the Audit and Risk Management Committee at the November AGM. Giselle was also appointed as Chair of the Takeover Response Committee in January 2024. We also farewelled Simon Rutherford at the FY 2023 AGM after serving 20 years as a Non-Executive Director.

Following the Scheme Meeting held on the 8 August 2024, further changes were announced to the Board with the resignation of Mark Bloom (effective on 8 August 2024) and Zita Peach who announced her retirement with effect from the release of results on 28 August 2024.The Board would like to thank Simon, Mark and Zita for their significant contribution to Pacific Smiles in their time spent serving on the Board.

### Management Changes in FY 2024

The resignation of Chief Executive Officer Phil McKenzie in August 2023 led to changes within the management team. The Board would like to thank Phil for his commitment and navigating the path through the pandemic. In the interim, we had the steady oversight of Paul Robertson, Chief Commercial Officer, who was appointed as Interim Chief Executive Officer whilst the search for a new CEO was finalised.

In January 2024, the Board announced the appointment of Andrew Vidler as CEO and Managing Director. Andrew joined following the announcement of the initial proposal by Genesis Capital and commencement of the control transaction process. Andrew's healthcare and retail experience enabled him to quickly grasp the fundamentals of the business and lead the team through the transaction process.

In late June 2024, we also farewelled Ciara Rocks, Chief Operating Officer, who very successfully reinvigorated field operations and the marketing team. The Board would also like to thank Ciara and wish her well in her new endeavours.

### Executive Team Remuneration Changes

As indicated in last year's Annual Report, the Board carefully considered shareholder feedback regarding executive remuneration and moved to implement new Short-Term Incentive (**STI**) and Long-Term Incentive (**LTI**) structures that more closely align with shareholder interests.

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Redesign of the STI plan focussed on delivery of financial metrics that balance patient fee and EBITDA outcomes, as well as non-financial metrics related to employee, patient and dentist engagement.

Redesign of the new LTI plan focussed on more closely aligning the LTI plan with market norms including introducing a 3-year performance period, aligning the quantum of LTI grants with market norms and the introduction of 3 weighted hurdles – Absolute EPS (40%), Average Annual ROE (40%) and Absolute TSR (20%). Details of the plans can be found on pages 32 to 34.

### Incentive Outcomes

The upper range of the EBITDA guidance was delivered and resulted in two of the STI hurdles being met. As a result, Management was eligible to earn 26% of its eligible STI payment and the Board did not apply their discretion to this outcome. No LTI Performance Rights were vested in FY 2024.

### Gender Pay Gap and Diversity

It was pleasing to see the outcomes achieved on gender diversity. Management reported a median gender pay gap of 2.7% in favour of men which was an improvement on the 8.9% gap reported in FY 2023. We closed the year with women accounting for 50% of independent Directors, but unfortunately with Ciara's resignation, women only accounted for 20% of management positions which we hope to address in FY 2025. Whilst this remains an opportunity for improvement, it's encouraging to see that the effort and focus is translating into measurable and tangible results and the Board congratulates the team on the progress made this year.

### Additional Remuneration Impacts

To ensure retention of key people and acknowledge the additional duties as a result of entering into the Scheme Implementation Deed with NDC, the Board made a number of short-term remuneration changes and equity awards. This included three people receiving extra duties remuneration increases for the period of the additional workload, and three additional people being awarded Performance Rights which will lapse in December if a transaction is not completed by calendar year end.

In addition to the management changes, the Board was also required to perform substantially higher duties throughout this period. This was reflected with the additional duties' payment paid to Non-Executive Directors to recognise the significantly higher workload which ceased on 8 August 2024.

### In Summary

It has been another busy year for the Pacific Smiles team. The Board would like to thank Andrew Vidler and Matthew Cordingley for leading this process internally. Despite the Scheme not being approved by the requisite majorities at the Scheme Meeting, the value of the Pacific Smiles brand and the services provided to our dentists and patients remains undisputed and is thanks to the resilience and dedication of the Pacific Smiles team.

On behalf of the Board, I would like to thank everyone for their continued efforts.

Jodie Leonard

**JODIE LEONARD**
**CHAIR NOMINATION & REMUNERATION 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 2024.

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

**1.0 Remuneration at a Glance**
1.1 Remuneration framework
1.2 FY 2024 Executive KMP Remuneration Mix
**2.0 Executive KMP Remuneration**
2.1 Short-term incentive (**STI**)
2.2 Long-term incentive (**LTI**)
2.3 Service Agreements
**3.0 Governance**
3.1 The Role of the Board
3.2 The Role of the Nomination and Remuneration Committee (**NRC**)
3.3 The Role of Independent Remuneration Advisors
**4.0 KMP and Non-Executive Director Remuneration**
4.1 Details of Remuneration
4.2 KMP Performance Rights
4.3 KMP and Non-Executive Director Shareholding
4.4 Additional disclosures relating to Key Management Personnel.

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. Retired with effect from the release of results on 28 August 2024. |
| Dr Scott Kalniz | Appointed 28 January 2021. Independent Non-Executive Director appointed to the Audit & Risk Management Committee 18 August 2023. |
| Ms Jodie Leonard | Appointed 8 May 2023. Independent Non-Executive Director, Chair of the Nomination & Remuneration Committee. |
| Mr Steven Rubic | Appointed 8 May 2023. Independent Non-Executive Director, member of the Nomination & Remuneration Committee and member of the Property Committee. |
| Ms Giselle Collins | Appointed 22 November 2023. Independent Non-Executive Director, Chair of the Audit & Risk Management Committee and member of the Property Committee. Appointed Chair of the Takeover Response Committee in January 2024. |
| Mr Mark Bloom | Appointed 18 August 2019. Independent Non-Executive Director, Chair of Property Committee, member of Audit & Risk Management Committee. Resigned 9 August 2024. |
| Mr Simon Rutherford | Appointed 24 September 2003. Independent Non-Executive Director, Chair of the Audit & Risk Management Committee, and member of the Property Committee. Retired 22 November 2023. |
| | |
| **Executive KMP** | |
| Mr Andrew Vidler | Group CEO and Managing Director (**CEO**) appointed 15 January 2024. |
| Mr Matthew Cordingley | Chief Financial Officer (**CFO**) appointed 12 April 2021. |
| Mr Paul Robertson | Chief Commercial Officer (**CCO**) appointed 5 February 2016, appointed Interim Chief Executive Officer (**CEO**) for the period 1 September 2023 to 14 January 2024. |
| Mr Phil McKenzie | Group CEO and Managing Director (**CEO**) appointed 29 October 2018, resigned 31 August 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 | Embedded Capacity | Stakeholder Relationships | 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 two-thirds cash and one-third Performance Rights (deferred for one year) for achievement of a mix of financial and non-financial targets.

The short-term business objectives are based on achievement of the following goals:

- Financial Outcomes
  - EBITDA and Patient fees
- Non-Financial Outcomes
  - Patient NPS
  - Dentist Engagement

**LONG-TERM INCENTIVE (LTI)**

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

The LTI plan was restructured in FY 2024 and is based on achievement of the following hurdles:

- Absolute EPS (40%)
- Average Annual ROE (40%)
- Absolute TSR (20%)

### 1.2 FY 2024 Executive KMP Remuneration Mix

The remuneration mix KMP are eligible to earn in FY 2024 is as follows.

**Chief Executive Officer – Mr Andrew Vidler***

| Total Fixed Remuneration 41 % (100% of TFR) | Maximum STI 25 % (60% of TFR) | Target LTI 34 % (37.5% of TFR) |
|---|---|---|

**Chief Financial Officer – Mr Matthew Cordingley**

| Total Fixed Remuneration 53 % (100% of TFR) | Maximum STI 21 % (40% of TFR) | Target LTI 26 % (50% of TFR) |
|---|---|---|

**Chief Commercial Officer – Mr Paul Robertson****

| Total Fixed Remuneration 47 % (100% of TFR) | Maximum STI 24 % (50% of TFR) | Target LTI 29 % (66% of TFR) |
|---|---|---|

**Mr Vidler's remuneration is pro-rated for the period following his appointment on 15 January 2024. The LTI reflects the value of Cash Rights,*
*** Mr Robertson's FY 2024 remuneration represents a blend of Total Fixed Remuneration for the two roles he held throughout the reporting year.*

*Consolidated entity performance and link to remuneration*

The following table shows key performance indicators (**KPIs**) for the consolidated entity over the last five years.

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| STI Outcome | 26% | 17.0% | 32.9% | 92.5% | 0.0% |
| LTI Outcome – % vesting | Nil | Nil | Nil | Nil | Nil |
| Dividends per share – ordinary (cents) | 2.10 | 2.52 | 0.00 | 2.40 | 2.40 |
| Underlying EBITDA pre-AASB 16[1] | $28.2m | $24.1m | $11.3m | $33.1m | $23.5m |
| Net Promoter Score (NPS) – patient | 90 | 90 | 90 | 87 | 87 |
| Dentist Engagement[2] | 7.3 | 7.3 | - | - | - |
| Share price ($) | 1.90[3] | 1.22[3] | 1.47[4] | 2.79[4] | 1.85[4] |
| Total Shareholder Return (Absolute TSR) ($) | 0.70 | (0.25) | (1.32) | 0.96 | 0.23 |
| Basic Earnings Per Share (Absolute EPS) (cps) | 5.0 | 1.5 | (2.8) | 8.3 | 4.2 |
| Average Annual Statutory ROE[5] | 13.2% | 4.0% | (7.5%) | 26.4% | 16.4% |

*[1]For details of underlying EBITDA pre-AASB 16 please see the reconciliation in the Operation Report.*
*[2]Dentist engagement measure introduced in FY 2023.*
*[3]Share price is calculated on 60-day average VWAP to 30 June of the relevant year.*
*[4]Share price is calculated on 60-day average VWAP to 30 November of the relevant year.*
*[5]Return on Equity calculated as Statutory Net Profit After Tax divided by Average Total Equity (i.e. opening Total Equity plus Closing Total Equity divided by two).*

## 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 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
- 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 (**STIs**)
(iii) long-term incentives (**LTIs**)
(iv) other remuneration such as statutory benefits, including long service leave.

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

In FY 2024, the Short-Term Incentive plan (**STI**) is based on awarding a mixture of cash remuneration and Performance Rights for the achievement of key delivery of financial and experience outcomes. This structure incorporates shareholder feedback and benchmarking management remuneration. Under the FY 2024 short-term incentive offer, an eligible award will be settled as 67% cash and 33% Pacific Smiles Performance Rights. 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 | 60% |
| CFO | 40% |
| CCO | 50%* |

** In FY 2024, the short-term incentive for CCO is 50%, which reflects additional duties as Interim CEO.*

### *2.1 Short Term Incentive (STI)*

The STI targets for FY 2024 are outlined below:

| HURDLES |
|---|
| 1. Must achieve >90% of Board approved budget EBITDA target |
| 2. No material safety, regulatory or governance breaches |
| 3. Must achieve "Meets Expectations" at year-end performance review |

| FINANCIAL KPI – 80% Weighting | | | | |
|---|---|---|---|---|
| Payout based on Patient Fee and profitability outcomes *(Linear vesting between EBITDA hurdles applies)* | | | | |
| | PATIENT FEES $ TARGET | | | |
| **EBITDA $ (pre AASB 16)** | **≥$290m and <$299m** | **$299m** | **>$299m and ≤$315m** | **>$315m** |
| **≥$28.0m - <$28.8m** | 20% | 25% | 15% | 10% |
| **≥$28.8m - <$31.0m** | 95% | 100-105% | 85-110% | 75-115% |
| **≥$31.0m - <$33.0m** | | | 115% | 120% |
| **≥$33.0m+** | | | | 125% |

| NON-FINANCIAL KPIs 20% Weighting | | |
|---|---|---|
| **KPI** | **WEIGHTING** | **TARGET** |
| Patient NPS | 10% | ≥90 |
| Dentist Engagement | 10% | >7.3 (out of 10) |

| MODIFIER |
|---|
| An eligible incentive payment can be modified at the discretion of the Board as follows:<br>• If the Employee Engagement Survey result is not achieved, the eligible incentive payout will be reduced by up to 20% |

The key terms and conditions of the STI plan and the Deferred Equity are as follows.

| Plan Rules | Description |
|---|---|
| Performance Period | 1 July 2023 to 30 June 2024 |
| Hurdles | Gateway Hurdles must be met to be eligible for an STI payment. An STI payment will not be eligible for payment if any of the three of the hurdles are not met. |
| Performance Metrics | Financial – 80% weighting as outlined in table above.<br>Non-Financial – 20% weighting for achievement of Patient NPS and Dentist Engagement targets. |
| Modifiers | The Board has the right to reduce the proposed eligible STI outcome by 20% if the Employee Engagement target is not achieved. |
| Payment Format | Two-thirds paid as cash and one-third paid as Performance Rights deferred for one year. |
| Number of Rights Awarded | Eligible STI equity incentive $ value / 60-day share price Volume-Weighted Average Price (**VWAP**) up to the day before grant awarded. Award of rights to a Director is dependent on receiving shareholder approval prior to award. |
| Cash Payment and Equity Grant Date | Executives will be paid eligible cash payments and awarded eligible Performance Rights within 60 days of the release of FY 2024 audited financial accounts. |
| Performance Rights Grant Value | 60-day VWAP |
| Equity Vesting Date | One year following Grant Date |
| Vesting Hurdle | Participants must be employed at the time of vesting or not have served notice of their resignation prior to the equity vesting. Similarly, the Company must not have served a dismissal notice on the participant. |
| Expiry Date | The Performance Rights expire on the fifth anniversary of the date of grant. |
| Participant | The offer is not transferable and can only be accepted by the participant. |
| Board Discretion | The Board has discretion to vary, amend, terminate or suspend the plan at any time, but any such variation, amendment, termination or suspension will not adversely affect or prejudice the participants holding the equity incentive. In particular, the Board also has the right to make such variation or amendments in the event of a Change of Control and a major transaction, and/or capital raising is undertaken. |

| | |
|---|---|
| Bad Leaver Provision | Bad leaver provisions apply if the participant ceases employment due to resignation (other than due to terminal illness or total permanent incapacitation), dismissal for cause or poor performance and any other circumstances (other than due to genuine redundancy) determined by the Board to constitute a bad leaver (e.g. fraud, misconduct and/or misstatement). |
| Trading Restrictions | At all times, participants are required to comply with the Company's Securities Trading policy. |
| Malus | Malus provisions apply in certain circumstances including in the event of fraud, dishonesty, breach of obligations, or in the opinion of the Board vesting of 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 by the participant. |
| Hedging | Participants must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to Performance Rights. |
| Change in Control | Notwithstanding the terms of the Long-Term Incentive Plan Rules, 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. |

***FY 2024 STI Outcomes***

As disclosed on 18 July 2024 in connection with the Scheme, the Board had tested the FY 2024 STI outcomes on the basis of the unaudited accounts and assessed that only one hurdle had been satisfied resulting in 10% of the FY 2024 STI being payable. The Board has since reviewed the FY 2024 STI outcomes against the audited financials and determined that 26.0% of the STI was achieved based on delivery of the entry level financial KPI, along with one of the two non-financial KPIs (patient NPS). This result was achieved in light of the material headwinds in the second half of FY 2024 relating to challenging trading conditions. Notwithstanding patient fees falling below full-year guidance expectations, Management actively managed operational efficiency and productivity to insulate earnings and achieve the EBITDA result. Dentist engagement remained consistent year-on-year. Practitioner feedback continued to highlight high levels of satisfaction relating to dentists' autonomy with clinical practice, continuing levels of education and the opportunity for peer networking.

| FINANCIAL KPIs 80% WEIGHTING | | | NON-FINANCIAL KPIs 20% WEIGHTING | | |
|---|---|---|---|---|---|
| | Minimum Vesting Hurdle – 20% | Outcome | NPS Target | Target | Outcome |
| EBITDA | ≥ $28m | $28.2m | Dentist Engagement | >7.3 | 7.3 |
| Patient Fees | ≥$290m | $291.8m | Patient NPS | ≥ 90% | 90 |

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

| | 2024<br>% of TFR paid as STI to CEO | 2023<br>% of TFR paid as STI to CEO* | 2024<br>% of TFR paid as STI to Exec KMP | 2023<br>% of TFR paid as STI to Exec KMP |
|---|---|---|---|---|
| Financial targets | 16% | - | 16% | 0.0% |
| Non-financial targets | 10% | - | 10% | 10.0% |
| **Total STI Achieved** | **26%** | **-** | **26%** | **10.0%** |

**CEO was appointed 15 January 2024.*

### 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 against the hurdles outlined in the normal course.

| Year Awarded | Tranche | Hurdle | Outcome |
|---|---|---|---|
| 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 |

*Tranches 7 and 8*
Key terms and conditions for grants for Tranches 7 – 8 are as follows.

| Plan Rules | Description |
|---|---|
| Vesting Period | All tranches based on four-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 convert 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 or 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 four-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. |
| Hedging | Participants must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to Performance Rights. |
| Board Discretion | Board has 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. |
| 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 have 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. |

***Tranche 9 – FY 2024 LTI Program***

Following shareholder feedback, the LTI plan was updated in FY 2024 to more closely align with market norms and shareholder expectations. Under the new plan, a number of key changes were introduced:

- the performance period was reduced from four years to three years.
- the size and value of the equity grants were reduced to align with more market norms.
- the Change of Control condition was modified to provide the Board with full discretion as to how the tranche will be treated in the event of a Change of Control.
- two additional metrics, Return on Equity (**ROE**) and Earnings Per Share (**EPS**), were introduced to drive alignment with delivering long-term shareholder value.

*Tranche 9 Long-Term Performance Hurdles – Vesting conditions*

<table>
<tr><td></td><td>Absolute EPS</td><td>Average ROE</td><td>Absolute TSR</td></tr>
<tr><td>Weighting</td><td>40%</td><td>40%</td><td>20%</td></tr>
<tr><td>Hurdles and vesting schedule</td>
<td><table>
<tr><td>Hurdle</td><td>Vesting</td></tr>
<tr><td><0.08</td><td>Nil</td></tr>
<tr><td>$0.08</td><td>50%</td></tr>
<tr><td>>$0.08 and <$0.11</td><td>Straight line</td></tr>
<tr><td>$0.11</td><td>100%</td></tr>
<tr><td colspan="2">Linear vesting between the hurdles</td></tr>
</table></td>
<td><table>
<tr><td>Hurdle</td><td>Vesting</td></tr>
<tr><td><18%</td><td>Nil</td></tr>
<tr><td>>18% and <20%</td><td>20%</td></tr>
<tr><td>20%</td><td>50%</td></tr>
<tr><td>>20% and <22%</td><td>Straight line</td></tr>
<tr><td>25%</td><td>100%</td></tr>
<tr><td colspan="2">Linear vesting between the hurdles</td></tr>
</table></td>
<td><table>
<tr><td>Hurdle</td><td>Vesting</td></tr>
<tr><td><22%</td><td>Nil</td></tr>
<tr><td>22%</td><td>25%</td></tr>
<tr><td>>22% and <26%</td><td>Straight line</td></tr>
<tr><td>26%</td><td>50%</td></tr>
<tr><td>>26% and <30%</td><td>Straight line</td></tr>
<tr><td>30%</td><td>100%</td></tr>
<tr><td colspan="2">Linear vesting between the hurdles</td></tr>
</table></td></tr>
<tr><td>Calculation</td>
<td>The Cash EPS vesting condition is calculated by the Company for a financial year as:<br>• the reported underlying net profit after tax for the relevant financial year, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes appropriate to reflect underlying recurring earnings;<br>• divided by the weighted average number of ordinary shares on issue during the relevant financial year.<br><br>This vesting condition is measured by calculating the FY26 Cash EPS.</td>
<td>The Average Annual ROE vesting condition for the Company for the Performance Period will be calculated as follows:<br>a) the reported underlying net profit after tax for each of the three relevant financial years in the Performance Period, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes appropriate to reflect underlying recurring earnings;<br>b) divided by the weighted average of shareholders' equity for each of the three relevant financial years in the Performance Period with the result expressed as a percentage; and<br>c) the aggregate of the three results determined by a) and b) divided by three to give the Average Annual ROE for the Performance Period.</td>
<td>The TSR for the Company will be determined by calculating the amount by which the sum of:<br>a. the 90-day volume weighted average price (VWAP) for Pacific Smiles Group Shares in the period up to and including the 30 June at the end of the relevant Performance Period;<br>b. the dividends paid on a Company Share during the relevant Performance Period; and<br>c. exceeds the 90-day VWAP for the Company's Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.</td></tr>
</table>

Key terms and conditions for grants for Tranche 9 awarded in FY 2024 are as follows.

| Plan Rules | Description |
|---|---|
| Performance Period | 1 July 2023 to 30 June 2026 |
| Testing Date for Performance Rights | Following announcement of FY26 financial results |
| Grant Price | 60 Day VWAP – \$1.35 |
| Vesting Date | 15 September 2026 |
| Exercise Period | On or after 15 September 2026 to 10th anniversary of grant date |
| Expiry Date | 10th anniversary of grant date |
| Unvested Rights | Unvested Performance Rights Lapse as follows:<br>(a) the expiry of the Exercise Period applicable to that Performance Right;<br>(b) the Board determining that the Vesting Conditions in respect of the Performance Right are not satisfied and not capable of being satisfied on the relevant testing date;<br>(c) 30 days after death or total and permanent disablement, if death or total and permanent disablement occurs, unless the Board makes a determination that the Performance Right has vested;<br>(d) On cessation of employment with the Pacific Smiles Group (including where your employer ceases to be an entity in Pacific Smiles Group or its business has been transferred to a non-Pacific Smiles Group entity) unless the Board makes a determination that the Performance Right has vested or is to remain on foot to be tested in the normal course; or<br>(e) the Board determining there has been any act of dishonesty, fraud, wilful misconduct or breach of duty, serious and wilful negligence or incompetence in the performance of duties, or convicted of a criminal offence (other than minor/trivial offences) or are guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of Pacific Smiles Group, or, in the opinion of the Board, the potential vesting of the Performance Right would be an inappropriate benefit. |
| Service condition | Must be employed at relevant Vesting Date |
| Change of control | In the event of a change of control, the Board has the absolute discretion to determine the extent to which some, none or all of the unvested Performance Rights may vest and will exercise that discretion having regard for the prevailing circumstances of the change of control. |
| Dividends | Performance Rights do not earn dividends and are not entitled to voting rights prior to vesting<br><br>Once Performance Rights have vested and have been exercised and the Company has transferred or issued the Shares that relate to those Performance Rights, participants will be entitled to receive any dividends having a record date that occurs after those Shares have been allocated.<br><br>The formula for Share entitlement on exercise of a Right is:<br>$$E = \left(1 + \frac{div_1}{P_{div_1}}\right) * \left(1 + \frac{div_2}{P_{div_2}}\right) * \ldots * \left(1 + \frac{div_n}{P_{div_n}}\right)$$<br>• E is the entitlement conversion factor<br>• $div_1, div_2, \ldots, div_n$ are the dividends paid on a Pacific Smiles Share from the last trading day in the period used to calculate VWAP from Vesting Date to the Exercise Date (with n being the total number of dividends paid over that Period);<br>• $P_{div_1}, P_{div_2}, \ldots, P_{div_n}$ are the close prices on the ex-dividend dates (i.e. immediate reinvestment of dividends on the ex-dividend date). |
| Trading restrictions | At all times, participants are required to comply with the Company's Securities Trading policy. |
| 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. |

*Cash Rights*

Given that the appointment of a new Managing Director and CEO coincided with the receipt by the Board of an unsolicited non-binding indicative proposal from Genesis Capital to acquire 100% of the shares in Pacific Smiles, the Board determined to grant the incoming CEO some certainty on their incentives during the period where a potential control transaction was being considered as it was unclear if a transaction would occur before shareholder approval could be sought on the award of equity to the Managing Director.

When the Chief Executive Officer and Managing Director was appointed on 15 January 2024, Pacific Smiles granted Cash Rights to the Managing Director as a long-term incentive. The Cash Rights automatically lapse when Performance Rights are issued in replacement. It is the Boards intention to seek shareholder approval of the award of Performance Rights at the November 2024 Annual General Meeting at which time, if the award is approved by shareholders, the Cash Rights will lapse.

**Tranche 9 - Cash Rights Offer Terms**

| Plan Rule | Description |
|---|---|
| What is a Cash Right? | A contractual right granted to be paid cash by the Company on meeting the vesting hurdles. |
| Grant date for Cash Rights | 15 January 2024 |
| Number of Cash Rights Granted | 225,600 |
| Value of each Cash Right | $1.00 |
| Vesting Conditions | Absolute EPS (40%)<br>Average Annual ROE (40%)<br>Absolute TSR (20%)<br>*Calculations, hurdles and vesting schedules as noted above (same as tranche 9)* |
| Early Vesting | On a Change of Control, the Board may determine that the Vesting conditions above are waived for all or any number of the Cash Rights, to the extent they determine in their absolute discretion, and the relevant Cash Rights will immediately vest, such date being the Vesting Date for those accelerated Cash Rights. |
| Performance Period | 1 July 2023 to 30 June 2026. |
| Lapse Date | The Cash Rights grant automatically lapse when Performance Rights are issued. It is the Boards intention to seek shareholder approval of the award of Performance Rights at the November 2024 Annual General Meeting at which time the Cash Rights will lapse<br>Cash Rights lapse on the same date as the Performance Rights are awarded. |
| Service condition | Must be employed by the Pacific Smiles Group at relevant Vesting Date. |
| Testing Date for Cash Rights | Results announcement date for FY26. |
| Vesting Date | 15 September 2026 or such earlier date as the Board determines. |
| Exercise Period | On or after 15 September 2026 to 5th anniversary of the grant date. |
| Expiry Date | The earlier of the issue of the Performance Rights and the 5th anniversary of the grant date. |
| Restrictions on Disposal | The Cash Rights are not transferrable. |
| Lapse of unvested Cash Rights | Unvested Cash Rights will lapse in the following circumstances:<br>a. upon the issue of the Performance Rights as outlined;<br>b. the expiry of the Exercise Period applicable to the Cash Right; |

c. the Board determining that the Vesting Conditions in respect of the Cash Rights are not satisfied or are not capable of being satisfied on the relevant Testing Date;

d. 30 days after death or total and permanent disablement, if death or total and permanent disablement occurs, unless the Board makes a determination that the Cash Right has vested;

e. On cessation of employment with the Pacific Smiles Group (including where the employer ceases to be an entity in Pacific Smiles Group or its business has been transferred to a non-Pacific Smiles Group entity) unless the Board makes a determination that the Cash Right has vested or is to remain on foot to be tested in the normal course; or

f. the Board determining there has been any act of dishonesty, fraud, wilful misconduct or breach of duty, serious and wilful negligence or incompetence in the performance of duties, or convicted of a criminal offence (other than minor/trivial offences) or are guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of Pacific Smiles Group, or, in the opinion of the Board, the potential vesting of the Cash Right would be an inappropriate benefit.

*Performance Rights Terms If Offer Replaces Cash Rights*

Vesting of the Pacific Smiles Cash Rights are dependent on achievement of the Long-Term incentive performance hurdles outlined being met. The performance hurdles are the same hurdles as set for the tranche 9 Pacific Smiles Performance Rights. The Pacific Smiles Cash Rights do not entitle the participant to receive any Pacific Smiles Shares or any other securities in Pacific Smiles.

Pacific Smiles intends to seek approval for the issue of up to 186,446 Pacific Smiles Performance Rights at the 2024 Annual General Meeting, which (if issued), will replace the Pacific Smiles Cash Rights and remain on the same terms as the tranche 9 Pacific Smiles Performance Rights noted in the earlier table.

***Tranches 10 and 11 - Additional Performance Rights Awarded***

In addition to the FY 2024 program outlined, the Board issued Performance Rights (Tranches 10 and 11) for remuneration and retention of select personnel related to the proposed transaction.

The key terms and conditions associated with Tranches 10 and 11 are as follows:

| Plan Rules | Description |
|---|---|
| Performance Rights Grant price | Tranche 10 - $1.75 (1 participant).<br>Tranche 11- $1.90 (2 participants). |
| Vesting date and conditions | Performance Rights vest when and if a second court hearing officially approves a Change of Control no later than 31 December 2024 or the Performance Rights will expire. |
| Testing date | No later than 31 December 2024. |
| Service Condition | Must be employed at relevant Vesting Date. |
| Restrictions on Disposal | The Performance Rights are not transferrable without the prior written consent of the Board. |

*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 Andrew Vidler | 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 |

## *3.0 Governance*

### *3.1 The Role of the Board*

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 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 recognises 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 Remuneration 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 their 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 organisations 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 Chair'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 20 November 2017, where the shareholders approved a maximum annual aggregate remuneration of $800,000. For the financial year ended 30 June 2024, the fees payable to the current Non-Executive Directors (whether in cash or securities) did not exceed $800,000 in aggregate.

| Role | FY 2024 Fixed Remuneration inclusive of superannuation |
|---|---:|
| Chair* | $150,000 |
| Non-Executive Directors | $80,000 |
| Committee Chair** | $12,000 |
| Committee member*** | $5,000 |

*Not entitled to earn addition fees for membership of an ongoing Board committee.
** Committee Chairs not entitled to earn additional fees for membership of other Board committees.
***Paid on a per committee basis to Non-Executive Directors who do not hold a Chair position.

The Company's Remuneration Policy provides for Non-Executive Directors to be paid at the 50th percentile. As indicated in previous years, base Non-Executive Director fees are well below market norms and benchmarking indicates Director fees are at the lower quartile. As such, fees will continue to be adjusted in FY 2025 in order to be able to attract and retain Non-Executive Directors and to better reflect the ongoing workload required.

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.

The constitution of Pacific Smiles permits Pacific Smiles Directors to be paid special remuneration where they are called on to perform extra services or make any special exertions in connection with the affairs of Pacific Smiles.

In February 2024, the Pacific Smiles Board approved the payment of additional remuneration to each of the Non-Executive Directors to recognise the significant additional time and services outside the scope of their ordinary duties provided in connection with the Scheme and earlier potential control transaction proposals. The Board considered that the performance of these additional services was necessary to facilitate the provision by Pacific Smiles of due diligence and negotiations with third parties regarding a potential control transaction, and additional meetings and time and resources required to be committed by the Non-Executive Directors as part of implementing the Scheme.

The special exertion fees paid from 1 January 2024 were as follows:

- a fee to the Chairperson of Pacific Smiles' Takeover Response Committee of $3,333 per month
- a fee of $2,000 per month for all other Non-Executive Directors.

After undertaking external benchmarking and seeking input from external consultants, the Board considered the fees to be consistent with market norms and fair and reasonable given the significant additional workload required of the Non-Executive Directors. Additionally, given that the special exertion fees were not conditional on the Scheme becoming effective, the Board did not consider that the receipt by Non-Executive Directors of such additional remuneration affected the interests of Directors in the outcome of the Scheme.

The additional duties fees were paid until the Scheme Meeting was held on 8 August 2024, at which time payment was ceased pending receipt of any further control proposals.

**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 (Chair, retired with effect from the release of results on 28 August 2024)
- Dr Scott Kalniz
- Ms Jodie Leonard
- Mr Steven Rubic
- Ms Giselle Collins (appointed 22 November 2023)
- Mr Mark Bloom (resigned 9 August 2024)
- Mr Simon Rutherford (retired 22 November 2023)

And the following Executive KMP:

- Mr Andrew Vidler (Managing Director and Chief Executive Officer – CEO, appointed 15 January 2024)
- Mr Paul Robertson (Chief Commercial Officer – CCO and Interim CEO from 1 September 2023 to 14 January 2024)
- Mr Matthew Cordingley (Chief Financial Officer – CFO)
- Mr Phil McKenzie (Managing Director and Chief Executive Officer, resigned 31 August 2023)

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

| 2024 | Short-term benefits Cash salary and fees $ | Cash bonus $ | Other $ | Post-employment benefits Super-annuation $ | Long-term benefits Long service leave $ | Cash Rights | Share-based payments[8] Rights $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| ***Non-Executive Directors*** | | | | | | | | |
| Ms Zita Peach[1] | 145,946 | - | - | 16,054 | - | - | - | 162,000 |
| Dr Scott Kalniz[2] | 97,000 | - | - | - | - | - | - | 97,000 |
| Ms Jodie Leonard | 94,453 | - | - | 9,547 | - | - | - | 104,000 |
| Mr Steven Rubic | 91,892 | - | - | 10,108 | - | - | - | 102,000 |
| Ms Giselle Collins[3] | 75,908 | - | - | - | - | - | - | 75,908 |
| Mr Mark Bloom[4] | 93,694 | - | - | 10,306 | - | - | - | 104,000 |
| Mr Simon Rutherford[5] | 38,333 | - | - | - | - | - | - | 38,333 |
| ***Executive Directors:*** | | | | | | | | |
| Mr Andrew Vidler[6] | 286,290 | 43,200 | - | 16,232 | 728 | 38,672 | - | 385,122 |
| Mr Phil McKenzie[7] | 92,694 | - | - | 4,487 | (24,578) | - | (1,477,249) | (1,404,646) |
| ***Other Key Management Personnel**:* | | | | | | | | |
| Mr Paul Robertson | 346,099 | 51,350 | - | 27,587 | 15,179 | - | 24,067[9] | 464,282 |
| Mr Matthew Cordingley | 444,923 | 45,257 | - | 28,134 | 2,828 | - | 214,209 | 735,351 |
| | 1,807,232 | 139,807 | - | 122,455 | (5,843) | 38,672 | (1,238,973) | 863,350 |

[1]*Retired with effect from the release of results on 28 August 2024*
[2]*Dr Kalniz is a non-resident of Australia and superannuation is therefore not applicable*
[3]*Appointed 22 November 2023*
[4]*Resigned 9 August 2024*
[5]*Retired 22 November 2023*
[6]*Appointed 15 January 2024*
[7]*Resigned 31 August 2023*
[8]*Reflects the movement in the carrying value of Performance Rights*
[9]*Value includes adjustment for lapsing of Tranche 6 Performance Rights*

| 2023 | Short-term benefits<br>Cash salary and fees<br>$ | Cash bonus<br>$ | Other<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Long-term benefits<br>Long service leave<br>$ | Share-based payments[6]<br>Rights<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| ***Non-Executive Directors*** | | | | | | | |
| Ms Zita Peach | 121,894 | - | - | 12,799 | - | - | 134,693 |
| Mr Mark Bloom | 72,263 | - | - | 7,588 | - | - | 79,851 |
| Dr Scott Kalniz[1] | 80,000 | - | - | - | - | - | 80,000 |
| Ms Jodie Leonard[2] | 11,795 | - | - | - | - | - | 11,795 |
| Mr Steven Rubic[2] | 8,354 | - | - | 877 | - | - | 9,231 |
| Mr Simon Rutherford[3] | 80,000 | - | - | - | - | - | 80,000 |
| Mr Hilton Brett[4] | 72,263 | - | - | 7,588 | - | - | 79,851 |
| Mr Andrew Knott[5] | 36,332 | - | - | 3,815 | - | - | 40,147 |
| ***Executive Director*** | | | | | | | |
| 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] *Dr Kalniz is a non-resident of Australia and superannuation is therefore not applicable*
[2] *Appointed 8 May 2023*
[3] *Retired 22 November 2023*
[4] *Resigned 30 June 2023*
[5] *Stood down following EGM on 19 December 2022*
[6] *Reflects the movement in the carrying value of Performance Rights.*

### 1.1 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** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| **Non-Executive Directors** | | | | | | |
| Ms Zita Peach[1] | 100% | 100% | - | - | - | - |
| Dr Scott Kalniz | 100% | 100% | - | - | - | - |
| Ms Jodie Leonard | 100% | 100% | - | - | - | - |
| Mr Steven Rubic | 100% | 100% | - | - | - | - |
| Ms Giselle Collins[2] | 100% | 100% | - | - | - | - |
| Mr Mark Bloom[3] | 100% | 100% | - | - | - | - |
| Mr Simon Rutherford[4] | 100% | 100% | - | - | - | - |
| | | | | | | |
| **Executive KMP** | | | | | | |
| Mr Andrew Vidler[5] | 41% | - | 25% | | 34% | - |
| Mr Matthew Cordingley | 53% | 35% | 21% | 18% | 26% | 47% |
| Mr Paul Robertson | 47% | 35% | 24% | 18% | 29% | 47% |

*[1]Retired with effect from the release of results on 28 August 2024*
*[2]Appointed 22 November 2023*
*[3]Resigned 9 August 2024*
*[4]Retired 22 November 2023*
*[5]Appointed 15 January 2024*

### 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** | **2024** | **2023** | **2024** | **2023** |
| **Executive KMP** | | | | |
| Mr Andrew Vidler | 26% | - | 74% | - |
| Mr Matthew Cordingley | 26% | 6% | 74% | 94% |
| Mr Paul Robertson | 26% | 6% | 74% | 94% |

***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 2024.

*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 2024.

*Performance Rights*
Under the LTI plan, Performance Rights have been granted to certain Executives. These Performance Rights will vest after three years (the performance period) and are conditional on the achievement of relevant performance and service conditions outlined.

### 1.2 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 FY 2024 or previous reporting years are as follows.

| Grant date | Number of Rights granted | Vesting date | Fair value per Right at grant date | Number of Rights forfeited in FY 2024[1] | Number of Rights that remain on foot as of 30 June 2024 |
|---|---|---|---|---|---|
| 30/11/2019 | 3,500,000 | 30/11/2023 | $0.61 | (2,391,000) | - |
| 30/11/2020 | 2,902,430 | 30/11/2024 | $0.88 | (1,175,672) | 1,155,758 |
| 30/11/2021 | 2,500,000 | 30/11/2025 | $1.32 | (988,707) | 992,775 |
| 07/12/2023 | 598,486 | 15/09/2026 | $0.53 | (88,889) | 509,597 |
| 13/05/2024 | 57,143 | 01/08/2024 | $1.75 | - | 57,143 |
| 08/05/2024 | 76,248 | 01/08/2024 | $1.90 | - | 76,248 |

[1] *Performance Rights associated with grant date 30 November 2019 did not achieve the relevant performance hurdles at the 30 November 2023 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.

| ***Performance Rights over Ordinary Shares*** | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other[2] | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr Paul Robertson | 1,032,371 | 166,667 | - | (355,000) | 844,038 |
| Mr Matthew Cordingley | 667,831 | 161,171 | - | - | 829,002 |
| | 1,700,202 | 327,838 | - | (355,000) | 1,673,040 |

[2] *The rights expired/ forfeited during the year relates to Tranche 7 Performance Rights granted on 30 November 2019.*

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.

| | Balance 30/11/2020 | 30/11/2021 | 07/12/2023 | 30/06/2024 |
|---|---|---|---|---|
| Mr Paul Robertson | 355,000 | 322,371 | 166,667 | 844,038 |
| Mr Matthew Cordingley | 350,000 | 317,831 | 161,171 | 829,002 |
| | 705,000 | 640,202 | 327,838 | 1,673,040 |

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

| Key Management Personnel | Grant date | Number of Performance Rights | Vesting date | Minimum value yet to vest[3] | Maximum value yet to vest[4] |
|---|---|---|---|---|---|
| Mr Paul Robertson | 30/11/2020 | 355,000 | 30/11/2024 | Nil | 32,759 |
| | 30/11/2021 | 322,371 | 30/11/2025 | Nil | 151,004 |
| | 07/12/2023 | 166,667 | 15/09/2026 | Nil | 130,907 |
| Mr Matthew Cordingley | 30/11/2020 | 350,000 | 30/11/2024 | Nil | 32,297 |
| | 30/11/2021 | 317,831 | 30/11/2025 | Nil | 148,877 |
| | 07/12/2023 | 161,171 | 15/09/2026 | Nil | 126,590 |

[3] *The minimum value of Performance Rights yet to vest is nil since the rights will be forfeited if the vesting conditions are not met.*
[4] *The maximum value of Performance Rights yet to vest is calculated based on the amount of the grant date fair value that is yet to be expensed in accordance with the requirements of AASB 2.*

**KMP Cash Rights**

| Grant date | Number of Rights granted | Vesting date | Fair value per Right at grant date | Number of Rights forfeited in FY 2024[1] | Number of Rights that remain on foot as of 30 June 2024 |
|---|---|---|---|---|---|
| 15/01/2024 | 225,600 | 01/08/2024[2] | $1.00 | - | 225,600 |

[1]*The Cash Rights grant automatically lapses when Performance Rights are issued. It is the Board's intention to seek shareholder approval of the award of Performance Rights at the November 2024 Annual General Meeting at which time the Cash Rights will lapse.*
[2]*The Cash Rights did not vest on this date and remain on foot.*

**1.3 KMP and Non-Executive Director 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[1] | 50,087 | - | 84,913 | - | 135,000 |
| Dr Scott Kalniz | 10,000 | - | - | - | 10,000 |
| Ms Jodie Leonard | - | - | 38,500 | - | 38,500 |
| Mr Steven Rubic | 20,000 | - | 100,000 | - | 120,000 |
| Ms Giselle Collins | - | - | 10,000 | - | 10,000 |
| Mr Mark Bloom[2] | 277,952 | - | - | - | 277,952 |
| Mr Simon Rutherford[3] | 1,741,017 | - | - | 1,741,017 | - |
| **Executive KMP** | | | | | |
| Mr Andew Vidler[4] | 43,032 | - | - | - | 43,032 |
| Mr Matthew Cordingley | - | - | - | - | - |
| Mr Paul Robertson | 200,000 | - | - | - | 200,000 |
| Mr Phil McKenzie[5] | 10,600 | - | - | 10,600 | - |
| | **2,352,688** | **-** | **233,413** | **1,751,617** | **834,484** |

[1]*Retired with effect from the release of results on 28 August 2024*
[2]*Resigned 9 August 2024*
[3]*Retired 22 November 2023*
[4]*Appointed 15 January 2024*
[5]*Resigned 31 August 2023*

**1.4 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.**

# 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 2024 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

27 August 2024

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Revenue** | 5 | 179,752 | 165,319 |
| Other income | 6 | 831 | 2,502 |
| **Expenses** | | | |
| Employee expenses - direct | 7 | (1,338) | (617) |
| Other direct expenses | 7 | (8,864) | (8,333) |
| Consumable supplies expenses | | (11,925) | (13,172) |
| Employee expenses | | (81,974) | (80,095) |
| Occupancy expenses | | (4,746) | (3,940) |
| Marketing expenses | | (5,071) | (3,553) |
| Administration and other expenses | | (21,940) | (19,653) |
| Depreciation and amortisation expense | 7 | (30,332) | (30,192) |
| Net finance costs | 7 | (3,668) | (4,343) |
| **Profit before income tax expense** | | 10,725 | 3,923 |
| Income tax expense | 8 | (2,686) | (1,502) |
| **Profit after income tax expense for the year** | | 8,039 | 2,421 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | 8,039 | 2,421 |
| | | **Cents** | **Cents** |
| Basic earnings per share | 36 | 5.0 | 1.5 |
| Diluted earnings per share | 36 | 5.0 | 1.5 |

*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 30 June 2024

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 17,656 | 18,573 |
| Receivables | 10 | 4,656 | 2,946 |
| Inventories | 11 | 7,715 | 6,200 |
| Other | 12 | 1,177 | 1,637 |
| Total current assets | | 31,204 | 29,356 |
| **Non-current assets** | | | |
| Receivables | 13 | 304 | 516 |
| Property, plant and equipment | 14 | 51,150 | 62,032 |
| Right-of-use assets | 15 | 62,427 | 71,455 |
| Intangibles | 16 | 12,914 | 14,579 |
| Deferred tax | 8 | 13,979 | 10,170 |
| Total non-current assets | | 140,774 | 158,752 |
| **Total assets** | | 171,978 | 188,108 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables | 17 | 18,671 | 19,276 |
| Lease liabilities | 18 | 14,614 | 13,750 |
| Income tax payable | 8 | 4,359 | 1,442 |
| Provisions | 19 | 4,794 | 4,773 |
| Total current liabilities | | 42,438 | 39,241 |
| **Non-current liabilities** | | | |
| Borrowings | 20 | - | 9,000 |
| Lease liabilities | 21 | 60,720 | 70,246 |
| Provisions | 22 | 8,262 | 8,354 |
| Total non-current liabilities | | 68,982 | 87,600 |
| **Total liabilities** | | 111,420 | 126,841 |
| **Net assets** | | 60,558 | 61,267 |
| **Equity** | | | |
| Contributed equity | 23 | 52,104 | 52,104 |
| Reserves | 24 | 6,744 | 15,492 |
| Retained profits/ (accumulated losses) | | 1,710 | (6,329) |
| **Total equity** | | 60,558 | 61,267 |

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

| | 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 37) | - | 704 | - | 704 |
| Contributions of equity, net of transaction costs | 187 | - | - | 187 |
| Dividends paid (note 25) | - | (558) | - | (558) |
| Balance at 30 June 2023 | 52,104 | 15,492 | (6,329) | 61,267 |

| | Contributed equity $'000 | Reserves $'000 | Retained profits/ (accumulated losses) $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2023 | 52,104 | 15,492 | (6,329) | 61,267 |
| Profit after income tax expense for the year | - | - | 8,039 | 8,039 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | 8,039 | 8,039 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Share-based payments (note 37) | - | (1,775) | - | (1,775) |
| Dividends paid (note 25) | - | (6,973) | - | (6,973) |
| Balance at 30 June 2024 | 52,104 | 6,744 | 1,710 | 60,558 |

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

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 180,074 | 169,476 |
| Payments to suppliers and employees | | (140,365) | (129,010) |
| | | 39,709 | 40,466 |
| Interest received | | 487 | 218 |
| Interest and finance costs paid | | (3,811) | (4,561) |
| Income taxes refunded | | - | 5,768 |
| Income taxes paid | | (3,579) | (1,017) |
| Net cash from operating activities | 35 | 32,806 | 40,874 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment and intangibles | 14,16 | (3,839) | (11,071) |
| Proceeds from disposal of property, plant and equipment | | 56 | 15 |
| Lease payments received from finance leases | | 422 | 509 |
| Net cash used in investing activities | | (3,361) | (10,547) |
| **Cash flows from financing activities** | | | |
| Dividends paid | 25 | (6,973) | (558) |
| Repayment of borrowings | | (9,000) | (9,500) |
| Payment of lease liabilities | | (14,389) | (13,501) |
| Net cash used in financing activities | | (30,362) | (23,559) |
| Net (decrease)/ increase in cash and cash equivalents | | (917) | 6,768 |
| Cash and cash equivalents at the beginning of the financial year | | 18,573 | 11,805 |
| Cash and cash equivalents at the end of the financial year | 9 | 17,656 | 18,573 |

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

| | |
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## 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 Group'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 27 August 2024. The Directors have the power to amend and reissue the financial statements.

## Note 2. Material accounting policy information

### 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.

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group 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.

The standards and amendments relevant to the consolidated entity for the current year are:

- Disclosure of Accounting Policies and Definition of Accounting Estimates (Amendments to AASB 7, 101, 108 and AASB Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112).

## Note 2. Material accounting policy information (continued)

The Group applied Disclosure of Accounting Policies and Definition of Accounting Estimates (Amendments to AASB 7, 101, 108 and AASB Practice Statement 2) for the first time in 2024. The amendments require entities to disclose their ‘material’ accounting policies, rather than their ‘significant’ accounting policies.

The Group has also adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the ‘integrally linked’ approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 July 2022 as a result of the change.

For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

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 Group.

**Parent entity information**
In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

**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 2024 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 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

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 Group 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 Group 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 Group'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.

**Note 2. Material accounting policy information (continued)**

**Revenue recognition**
The Group 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 Group owned dental centres. Services and facilities include the provision of fully equipped surgeries, staff, marketing and other support infrastructure. The Group 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 Group 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 Group 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.

**Note 2. Material accounting policy information (continued)**

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 Group'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 Group'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 Group 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**
Consumables and dental products are stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

**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.

**Note 2. Material accounting policy information (continued)**

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. 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 Group 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 Group 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 three to five 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 15 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.

**Note 2. Material accounting policy information (continued)**

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 Group 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 Group 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 Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

## Note 2. Material accounting policy information (continued)

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

The Group 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 Group enters into lease agreements as lessor in respect of some property leases. When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Group 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 Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group 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 Group 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.

## Note 2. Material accounting policy information (continued)

*Other long-term employee benefits*
The Group'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 12 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**) and a deferred component of the Short-Term Incentive plans for Key Management Personnel.

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 Group 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.

**Note 2. Material accounting policy information (continued)**

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

Where the business combination is achieved in stages, the Group 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 material accounting policy**
There were no changes to the financial reporting requirements this year that affected the disclosures in the financial statements.

**Note 2. Material accounting policy information (continued)**

**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 Group for the annual reporting period ended 30 June 2024. The Group 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 Group 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 37 for further details.

*Estimation of useful lives of assets*
The Group 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 Group 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 Group 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 Group 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 Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. The Group recognises liabilities for anticipated tax audit issues based on the Group'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.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*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 Group. The provision covers potential payroll tax liability in Queensland and Victoria. 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 Group 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 17 for further details.

**Note 4. Operating segments**

The Group 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 Group's Chief Executive Officer, who is identified as the chief operating decision maker, in assessing performance and in determining the allocation of resources. The Group's operation inherently has one profile and performance assessment criteria. The financial results from this segment are consistent with the financial statements for the Group as a whole.

The chief operating decision maker uses the Group'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 Group.

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

| | Ref | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Statutory net profit/(loss) before tax** | | 10,725 | 3,923 |
| Depreciation and amortisation expense | | 30,332 | 30,192 |
| Net finance cost | | 3,668 | 4,343 |
| **Statutory EBITDA** | | 44,725 | 38,458 |
| Severance expenses removed | 1 | 226 | 242 |
| Executive Long-Term Incentive plan expense | 2 | (1,815) | 704 |
| Additional costs associated with the December Extraordinary General Meeting | 3 | - | 536 |
| Costs associated with the control transaction proposals and Scheme of Arrangement | 4 | 2,313 | - |
| Net flood insurance recoveries associated with FY 2022 loss | 5 | - | (646) |
| Workers compensation insurance premium adjustments for prior years | 6 | 208 | 238 |
| Impact of prior years' payroll tax determination (excluding interest) | 7 | 1,191 | 1,174 |
| Change in accounting estimate for consumables | 8 | (1,415) | - |
| Adjustment to pre-AASB 16 basis | 9 | (17,252) | (16,597) |
| **Underlying EBITDA pre-AASB 16** | | 28,181 | 24,109 |

**Note 4. Operating segments (continued)**

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. During the year, the Executive Long-Term Incentive plan expense was in credit, as the new Performance and Cash Rights issued were offset by the credits associated with Tranche 6 failing to vest, and a large number of Performance Rights forfeited due to resignation.

Note 3 – The additional costs associated with the December Extraordinary General Meeting refer 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 held on 19 December 2022.

Note 4 – The costs associated with the proposals from each of Genesis Capital Manager I Pty Ltd and NDC BidCo Pty Ltd (**NDC**) to acquire 100% of the shares in Pacific Smiles and the subsequent meeting of Pacific Smiles shareholders held on 8 August 2024 (**Scheme Meeting**) to consider and vote on a resolution to approve the proposed scheme of arrangement under which NDC would acquire 100% of the shares in Pacific Smiles (**Scheme**). They include external costs paid for consulting, financial and legal advice and other associated costs related to the Scheme and the Scheme Meeting. It also includes additional exertion payments to directors and management.

Note 5 – The PSG dental centre located in Lismore was damaged in the 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 until the claim was finalised in January 2023.

Note 6 - 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 7 – The prior year payroll tax determination represents the total amount paid for payroll tax relating to the five financial years 2019 to 2023 in the Australian Capital Territory (**ACT**) and associated attendant legal costs incurred during the audits and PSG's objections.

Note 8 – During the year, PSG updated and improved processes and controls around dental centre consumables and the associated estimates of cost and quantity held at individual dental centres. Applying this change has resulted in a credit in the current year, which has been excluded from the underlying results as it is a non-cash adjustment that is not anticipated to recur in future periods.

Note 9 – 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**

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Dental service fees | 177,485 | 163,335 |
| Dental product sales | 429 | 536 |
| | 177,914 | 163,871 |
| Management fees | 1,838 | 1,448 |
| Revenue | 179,752 | 165,319 |

## Note 6. Other income

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Rents | 220 | 377 |
| Sundry income | 545 | 1,479 |
| Net flood insurance recoveries associated with FY 2022 loss | 66 | 646 |
| Other income | 831 | 2,502 |

## Note 7. Expenses

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Leasehold improvements | 7,120 | 7,553 |
| Plant and equipment | 7,096 | 7,239 |
| Right-of-use assets | 14,199 | 13,773 |
| Total depreciation | 28,415 | 28,565 |
| *Amortisation* | | |
| Software | 1,852 | 1,562 |
| Rights and licences | 65 | 65 |
| Total amortisation | 1,917 | 1,627 |
| Total depreciation and amortisation | 30,332 | 30,192 |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 566 | 1,012 |
| Interest and finance charges paid/payable on lease liabilities | 3,245 | 3,275 |
| Unwinding of the discount on lease make good provision | 344 | - |
| Interest paid on payroll tax settlement | - | 274 |
| Interest received/receivable | (487) | (218) |
| Net finance costs | 3,668 | 4,343 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 7,308 | 6,631 |
| *Share-based payments expense* | | |
| Share-based payments expense | (1,775) | 704 |
| *Direct expenses* | | |
| Other direct expenses | 8,864 | 8,333 |
| Employee expenses - direct | 1,338 | 617 |
| | 10,202 | 8,950 |

**Note 7. Expenses (continued)**

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**).

Total employee expenses for the year are $83,344,485 (2023: $80,711,961). These include employee expenses and dental practitioner employment costs presented as employee expenses - direct.

**Note 8. Income tax**

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| *Income tax expense* | | |
| Current tax | 6,581 | 2,450 |
| Deferred tax | (3,809) | (817) |
| Adjustment recognised for prior periods | (86) | (131) |
| Aggregate income tax expense | 2,686 | 1,502 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets | (3,809) | (817) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 10,725 | 3,923 |
| Tax at the statutory tax rate of 30% | 3,218 | 1,177 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 44 | 45 |
| Share-based payments | (533) | 211 |
| | 2,729 | 1,433 |
| Adjustment recognised for prior periods | (86) | (131) |
| Prior year temporary differences not recognised now recognised | 43 | 200 |
| Income tax expense | 2,686 | 1,502 |

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| *Amounts credited directly to equity* | | |
| Deferred tax assets | - | (187) |

## Note 8. Income tax (continued)

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| *Deferred tax asset* | | |
| Net deferred tax asset comprises temporary differences attributable to: | | |
| Allowance for expected credit losses | 44 | 55 |
| Property, plant and equipment | 5,351 | 2,327 |
| Employee benefits | 1,728 | 1,700 |
| Lease liabilities | 22,600 | 25,199 |
| Provision for lease make good | 2,177 | 2,238 |
| Accrued expenses | 503 | 340 |
| Intangibles | (98) | (117) |
| Lease receivables | (155) | (215) |
| Right-of-use assets | (18,728) | (21,437) |
| Prepayments and others | 40 | 80 |
| Business related costs (s40-880) | 517 | - |
| Deferred tax asset | 13,979 | 10,170 |
| Movements: | | |
| Opening balance | 10,170 | 12,416 |
| Credited to profit or loss | 3,809 | 817 |
| Credited to equity | - | 187 |
| Tax losses carry back claimed | - | (3,250) |
| Closing balance | 13,979 | 10,170 |

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Provision for income tax | 4,359 | 1,442 |

## Note 9. Current assets - cash and cash equivalents

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Cash at bank and in hand | 17,656 | 18,573 |

## Note 10. Current assets - receivables

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Trade receivables | 4,115 | 2,630 |
| Less: Allowance for expected credit losses | (147) | (184) |
| | 3,968 | 2,446 |
| Finance lease receivables | 212 | 202 |
| Other receivables | 476 | 298 |
| | 4,656 | 2,946 |

Refer to note 13 for finance lease receivables maturity analysis.

## Note 11. Current assets - inventories

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Inventories - at cost | 7,715 | 6,200 |

Inventories recognised as an expense during the 2024 financial year amounted to $11,735,049 (2023: $12,727,025). These figures were included in consumables supplies expense in the statement of profit or loss.

## Note 12. Current assets - other

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Prepayments | 1,113 | 1,558 |
| Other | 64 | 79 |
| | 1,177 | 1,637 |

## Note 13. Non-current assets - receivables

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Finance lease receivables - rental subleases | 304 | 516 |

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Within one year | 234 | 234 |
| One to five years | 322 | 556 |
| Total undiscounted finance lease receivable | 556 | 790 |
| Less: Unearned finance income | (40) | (72) |
| Total finance lease receivables | 516 | 718 |

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Leasehold improvements - at cost | 83,494 | 83,346 |
| Less: Accumulated depreciation and impairment | (51,187) | (44,067) |
| | 32,307 | 39,279 |
| Plant and equipment - at cost | 71,089 | 69,316 |
| Less: Accumulated depreciation and impairment | (52,246) | (46,563) |
| | 18,843 | 22,753 |
| | 51,150 | 62,032 |

**Note 14. Non-current assets - property, plant and equipment (continued)**

*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 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 |
| Additions | 166 | 3,229 | 3,395 |
| Disposals | (18) | (43) | (61) |
| Depreciation expense | (7,120) | (7,096) | (14,216) |
| Balance at 30 June 2024 | 32,307 | 18,843 | 51,150 |

*Impairment of assets*
No impairment losses were recognised in the 2024 and 2023 financial years.

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Leases - right-of-use | 115,089 | 111,454 |
| Less: Accumulated depreciation | (52,662) | (39,999) |
| | 62,427 | 71,455 |

*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 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 |
| Adjustment on carrying value from lease variations | 5,579 |
| Adjustment on carrying value from changes in make good provision estimates | (409) |
| Depreciation expense | (14,198) |
| Balance at 30 June 2024 | 62,427 |

**Note 15. Non-current assets - right-of-use assets (continued)**

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group 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 Group 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**

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Goodwill | 12,517 | 12,517 |
| Less: Impairment | (2,894) | (2,894) |
| | 9,623 | 9,623 |
| Software - at cost | 9,282 | 10,980 |
| Less: Accumulated amortisation | (6,316) | (6,416) |
| | 2,966 | 4,564 |
| Rights and licences | 985 | 985 |
| Less: Accumulated amortisation | (660) | (593) |
| | 325 | 392 |
| | 12,914 | 14,579 |

*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 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 |
| Additions | - | 252 | - | 252 |
| Amortisation expense | - | (1,852) | (65) | (1,917) |
| Balance at 30 June 2024 | 9,623 | 2,964 | 327 | 12,914 |

**Note 16. Non-current assets - intangibles (continued)**

*Impairment testing for cash-generating-units (**CGU**)*
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.

| | 2024 $'000 | 2023 $'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.

| | 2024 % | 2023 % |
|---|---|---|
| Discount rate | 10.50 | 13.00 |
| Terminal value EBITDA growth rate | 2.50 | 2.50 |
| Budgeted EBITDA growth rate (average of next five years) | 9.72 | 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 growth projections for years 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 discount rate based on the Group's weighted average cost of capital of 10.50% (2023: 13.00%). The pre-tax discount rate is 11.00% (2023: 14.00%).

Management has performed sensitivity analyses to the key assumptions by increasing the discount rate up to 15.5%. The analyses assume that all other variables remain constant. The analyses resulted in the estimated recoverable amount of the CGUs still exceeding 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.

## Note 16. Non-current assets - intangibles (continued)

*Rights and licences*
As part of the Group's acquisition of the three former AHM dental centres, the Group 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

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Trade and other payables | 18,671 | 19,276 |

Payroll Tax provision of $506,394 (2023: $991,178) for the financial years 2019, 2020, 2021, and 2022 for independent dentists operating under a Service and Facilities Agreement with the Group is included in the Payables balance. The provision covers potential payroll tax liability in Queensland and Victoria. 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 Group in New South Wales.

## Note 18. Current liabilities - lease liabilities

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Lease liability | 14,614 | 13,750 |

Refer to note 30 for further information on lease maturity analysis.

## Note 19. Current liabilities - provisions

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Employee benefits | 4,794 | 4,773 |

## Note 20. Non-current liabilities - borrowings

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Bank loans | - | 9,000 |

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

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| Bank loans | - | 9,000 |

## Note 20. Non-current liabilities - borrowings (continued)

*Assets pledged as security*
The bank loans are secured by a registered equitable mortgage over the whole of the assets and undertakings of the Group, including uncalled capital and inter-entity guarantees.

*Financing arrangements*
Unrestricted access was available at the reporting date to the following lines of credit.

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Total facilities | | |
| Bank overdraft | 500 | 500 |
| Bank loans | 20,000 | 40,000 |
| Bank guarantees | 5,000 | 5,000 |
| | 25,500 | 45,500 |
| Used at the reporting date | | |
| Bank overdraft | - | - |
| Bank loans | - | 9,000 |
| Bank guarantees | 3,745 | 3,841 |
| | 3,745 | 12,841 |
| Unused at the reporting date | | |
| Bank overdraft | 500 | 500 |
| Bank loans | 20,000 | 31,000 |
| Bank guarantees | 1,255 | 1,159 |
| | 21,755 | 32,659 |

Covenants attached to bank loans were complied with during the financial year. The facility is available to the Group until 30 September 2025. Further information relating to the loans' weighted average interest rate and contractual cashflow is included in note 26.

## Note 21. Non-current liabilities - lease liabilities

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Lease liability | 60,720 | 70,246 |

Refer to note 30 for further information on lease maturity analysis.

## Note 22. Non-current liabilities - provisions

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Employee benefits | 1,006 | 894 |
| Lease make good | 7,256 | 7,460 |
| | 8,262 | 8,354 |

## Note 22. Non-current liabilities - provisions (continued)

*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.

| 2024 | Make good provision $'000 |
|---|---|
| Carrying amount at the start of the year | 7,460 |
| Change in accounting estimates | (409) |
| Amounts used | (49) |
| Unwinding of discount | 344 |
| Unused amounts reversed | (90) |
| Carrying amount at the end of the year | 7,256 |

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

## Note 23. Equity - contributed equity

| | 2024 Shares | 2023 Shares | 2024 $'000 | 2023 $'000 |
|---|---|---|---|---|
| Ordinary shares - fully paid | 159,581,938 | 159,581,938 | 52,104 | 52,104 |

*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 Group'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 Group monitors its working capital continually and manages it within a Board-approved finance facility. Debt covenants have been consistently achieved and are 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 - reserves

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profits reserve | 4,855 | 11,829 |
| Share-based payments reserve | 1,889 | 3,663 |
| | 6,744 | 15,492 |

## Note 24. Equity - reserves (continued)

*Profits reserve*
The profits reserve represents current year profits transferred to a reserve to preserve the characteristic as a profit so as to quarantine it 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 25. Equity - dividends

*Dividends*
Dividends paid during the financial year were as follows.

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Final dividend for the year ended 30 June 2023 of 2.27 cents per ordinary share, fully franked, paid on 9 October 2023 | 3,622 | - |
| Interim dividend for the year ended 30 June 2024 of 2.10 cents (2023: 0.35 cents) per ordinary share, fully franked, paid on 5 April 2024 | 3,351 | 558 |
| | 6,973 | 558 |

Subsequent to the end of the financial year, the Directors have recommended the payment of a final dividend of 3.25 cents (2023: 2.27 cents) per ordinary share, fully franked. The aggregate amount of the proposed dividend expected to be paid out of profit reserves, but not recognised as a liability as at the end of the financial year is $5,182,557 (2023: $3,622,510). The record date for determining entitlements to the 2024 final dividend is 25 September 2024, with the payment date being 10 October 2024.

*Franking credits*

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% | 16,423 | 19,446 |

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 26. Financial instruments

***Financial risk management objectives***
The Group'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 Group’s principal financial instruments during the 2024 and 2023 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 Group has various other financial instruments such as trade and other debtors and creditors, which arise directly from its operations. The Group does not trade in financial instruments.

## Note 26. Financial instruments (continued)

### *Market risk*

*Interest rate risk*
The Group's exposure to market risk for changes in interest rates at the end of the year was minimal, as the bank debt had been fully repaid.

### *Credit risk*
The Group 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 Group has had no bad debts (2023: nil) in the period and at 30 June 2024, no trade receivables are overdue by more than 90 days that have not been fully provided for. The expected credit loss provision is $146,623 (2023: $184,246).

### *Liquidity risk*
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 12 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 timeframes required.

The following tables detail the Group'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.

| 2024 | Less than 6 months $'000 | Between 6 and 12 months $'000 | Between 1 and 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| *Non-interest bearing* | | | | |
| Trade payables (note 17) | 18,671 | - | - | 18,671 |
| Total non-derivatives | 18,671 | - | - | 18,671 |

| 2023 | Less than 6 months $'000 | Between 6 and 12 months $'000 | Between 1 and 5 years $'000 | Remaining contractual maturities $'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 |

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 27. Key Management Personnel disclosures

*Compensation*
The aggregate compensation paid to Directors and other members of Key Management Personnel of the Group is set out below.

| | 2024 $ | 2023 $ |
|---|---|---|
| Short-term employee benefits | 1,947,039 | 1,842,696 |
| Post-employment benefits | 122,455 | 115,167 |
| Long-term benefits | 32,829 | 18,122 |
| Share-based payments | (1,238,973) | 517,247 |
| | 863,350 | 2,493,232 |

## Note 28. Remuneration of auditors

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

| | 2024 $ | 2023 $ |
|---|---|---|
| *Audit services* | | |
| Audit or review of the financial statements | 200,000 | 190,900 |
| *Other services* | | |
| Tax compliance and advisory services | 55,330 | 27,000 |
| Other advisory services | 57,997 | - |
| | 113,327 | 27,000 |
| | 313,327 | 217,900 |

## Note 29. Contingent liabilities

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Bank guarantees | 3,745 | 3,841 |

The consolidated entity has given bank guarantees as at 30 June 2024 of $3,744,588 (2023: 3,841,030) to various landlords as security for leased premises.

## Note 30. Commitments

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| *Capital commitments* | | |
| Committed at the reporting date but not recognised as liabilities: | | |
| Property, plant and equipment | 123 | 460 |
| Printers | 506 | 710 |
| | | |
| Committed at the reporting date but not recognised as liabilities: | | |
| Within one year | 311 | 664 |
| One to five years | 318 | 506 |
| | 629 | 1,170 |

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| *Lease commitments* | | |
| Committed at the reporting date and recognised as liabilities, payable: | | |
| Within one year | 17,404 | 16,805 |
| One to five years | 50,138 | 54,170 |
| More than five years | 17,280 | 24,576 |
| Total commitment | 84,822 | 95,551 |
| Less: Future finance charges | (9,478) | (11,554) |
| Net commitment recognised as liabilities | 75,344 | 83,997 |

## Note 31. Related party transactions

*Parent entity*
Pacific Smiles Group Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 33.

*Key Management Personnel*
Disclosures relating to Key Management Personnel are set out in note 27 and the remuneration report included in the Directors' report.

*Transactions with related parties*
Key Management Personnel or their related parties held shares in the Group during 2024 and 2023, and as such, participated in dividends.

Other than that, there were no other transactions with related parties in the current period.

## Note 32. Parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit after income tax | 8,036 | 2,429 |
| Total comprehensive income | 8,036 | 2,429 |

## Note 32. Parent entity information (continued)

*Balance sheet*

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Total current assets | 31,241 | 29,544 |
| Total assets | 171,906 | 188,248 |
| Total current liabilities | 41,709 | 38,716 |
| Total liabilities | 110,685 | 126,314 |
| Equity | | |
| Contributed equity | 52,104 | 52,104 |
| Profits reserve | 4,855 | 11,829 |
| Share-based payments reserve | 1,889 | 3,663 |
| Retained profits/(accumulated losses) | 2,373 | (5,662) |
| Total equity | 61,221 | 61,934 |

*Contingent liabilities*
The parent entity had no contingent liabilities, other than bank guarantees as at 30 June 2024 totalling $3,744,588 (30 June 2022: $3,841,030).

## Note 33. 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 2024 % | 2023 % |
|---|---|---|---|
| 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 34. Events after the reporting period

*Outcome of Scheme Meeting held on 8 August 2024*

A Scheme Meeting was held on 8 August 2024 for shareholders to vote on a Scheme Resolution approving the Scheme under which NDC would acquire 100% of the shares in Pacific Smiles for $2.05 per share. The Scheme Resolution, as set out in the Notice of Scheme Meeting included in the Scheme Booklet released to the ASX on 26 June 2024, was not approved by the requisite majorities of Pacific Smiles Shareholders at the Scheme Meeting.

*Retirement of Non-Executive Chairperson*

On 19 August 2024, the Company announced the retirement of Non-Executive Chairperson, Ms Zita Peach, with effect from the release of the results on 28 August 2024. The Chair role will be succeeded by current Non-Executive Director Ms Giselle Collins. Ms Collins has been on the Pacific Smiles Board since November 2023, is currently the Chair of the Audit & Risk Management Committee and chaired the Board Takeover Response Committee.

## Note 34. Events after the reporting period (continued)

*Resignation of Non-Executive Director*

On 9 August 2024, the Company announced the resignation of Non-Executive Director, Mr Mark Bloom, with immediate effect.

Apart from the matter disclosed above and final dividend declared as disclosed in note 25, no other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Note 35. Cash flow information

*Reconciliation of profit after income tax to net cash from operating activities*

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit after income tax expense for the year | 8,039 | 2,421 |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 30,332 | 30,192 |
| Net loss on disposal of property, plant and equipment | 5 | 591 |
| Share-based payments | (1,775) | 704 |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in receivables | (1,498) | 493 |
| Increase in inventories | (1,515) | (405) |
| Decrease/(increase) in deferred tax assets | (3,809) | 2,433 |
| Decrease/(increase) in other operating assets | 460 | (709) |
| Increase/(decrease) in payables | (605) | 1,755 |
| Increase/(decrease) in other provisions | 255 | (421) |
| Increase /(decrease) in income tax | 2,917 | 3,820 |
| | | |
| Net cash from operating activities | 32,806 | 40,874 |

*Changes in liabilities arising from financing activities*

| | Dividend $'000 | Borrowings $'000 | Leases $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2022 | - | 18,500 | 87,375 | 105,875 |
| Net cash used in financing activities | (558) | (9,500) | (13,501) | (23,559) |
| Dividend declared (note 25) | 558 | - | - | 558 |
| New leases | - | - | 8,175 | 8,175 |
| Changes in lease liabilities carrying value from lease variation | - | - | 4,196 | 4,196 |
| 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 |
| Net cash used in financing activities | (6,973) | (9,000) | (14,389) | (30,362) |
| Dividend declared (note 25) | 6,973 | - | - | 6,973 |
| Changes in lease liabilities carrying value from lease variations | - | - | 5,727 | 5,727 |
| Interest expenses | - | - | 3,245 | 3,245 |
| Interest paid (presented as operating cashflow) | - | - | (3,245) | (3,245) |
| | | | | |
| Balance at 30 June 2024 | - | - | 75,334 | 75,334 |

## Note 36. Earnings per share

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit after income tax | 8,039 | 2,421 |
| | **Cents** | **Cents** |
| Basic earnings per share | 5.0 | 1.5 |
| Diluted earnings per share | 5.0 | 1.5 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 159,581,938 | 159,581,938 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 159,581,938 | 159,581,938 |

*Performance rights*
Performance rights granted to employees under the consolidated entity's LTI 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 2024. These performance rights could potentially dilute basic earnings per share in the future.

## Note 37. Share-based payments

*Long-Term Incentive plan overview*
The consolidated entity has established a 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 selected senior managers, at the absolute discretion of the Board, pursuant to the LTI plan in financial years 2022 and 2021.

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.

There was no new issuance of the Long-Term Incentive Plan in FY 2023.

In FY 2024, a new LTI plan was issued on 7 December 2023. This tranche's LTI plan was updated to more closely align with market norms and shareholder expectation. Under the new plan, a number of key changes were introduced:

**Note 37. Share-based payments (continued)**

- The performance period was reduced from four years to three years in line with market norms.
- The size and value of the equity grants were reduced to align with more market norms.
- The Change of Control condition was changed to provide the Board with full discretion as to how the tranche will be treated in the event of a Change of Control.
- Two additional metrics were introduced to drive alignment with delivering long-tern shareholder value.

The vesting conditions are categorised based on three metrics: Absolute EPS, Average ROE, and Absolute TSR, with respective weightings of 40%, 40%, and 20%.

The details of the vesting conditions and calculations are as follows:

- For the Absolute EPS metric, no shares vest if the EPS is below $0.08. If the EPS reaches $0.08, 50% of the shares vest, and between $0.08 and $0.11, the vesting occurs on a straight-line basis. When the EPS hits $0.11 or more, 100% of the shares vest. The Cash EPS vesting condition is calculated by adjusting the reported underlying net profit after tax for intangibles amortisation and one-off items, then dividing by the weighted average number of ordinary shares on issue during the financial year, specifically measured by the Cash EPS of FY26.
- For the Average ROE metric, no shares vest if the ROE is below 18%. If the ROE is between 18% and 20%, 20% of the shares vest. When the ROE reaches 20%, 50% of the shares vest, and vesting occurs on a straight-line basis between 20% and 22%. At 25% ROE, 100% of the shares vest. The Average Annual ROE vesting condition is determined by calculating the average of the reported underlying net profit after tax, adjusted for intangibles amortisation and one-off items, divided by the weighted average of shareholders' equity over three years.
- For the Absolute TSR metric, no shares vest if the TSR is below 22%. At 22%, 25% of the shares vest, and between 22% and 26%, vesting occurs on a straight-line basis. When TSR reaches 26%, 50% of the shares vest, and between 26% and 30%, vesting again occurs on a straight-line basis. At 30% or more, 100% of the shares vest. The TSR is calculated by taking the 90-day volume-weighted average price (**VWAP**) of the Company's shares at the end of the performance period and adding the dividends paid during this period, then subtracting the 90-day VWAP at the beginning of the period, with the result expressed as a percentage.

In addition to the program above, the Board has issued Performance Rights on 8 May 2024 and 13 May 2024 to select key personnel for remuneration and retention related to the proposed transaction. These Performance Rights vest upon the official approval of a Change of Control by a second court hearing, which must occur no later than 31 December 2024. If this approval is not obtained by this date, the Performance Rights will expire. Performance Rights will only vest if there is a successful Change of Control event. Upon the occurrence of such an event, all unvested Performance Rights will fully vest.

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** |
|---|---|---|---|---|---|
| 30/11/2019 | 30/11/2023 | 2,391,000 | - | (2,391,000) | - |
| 30/11/2020 | 30/11/2024 | 2,331,430 | - | (1,175,672) | 1,155,758 |
| 30/11/2021 | 30/11/2025 | 1,981,482 | - | (988,707) | 992,775 |
| 07/12/2023 | 15/09/2026 | - | 598,486 | (88,889) | 509,597 |
| 19/04/2024 | 01/08/2024 | - | 57,143 | - | 57,143 |
| 23/05/2024 | 01/08/2024 | - | 76,248 | - | 76,248 |
| | | 6,703,912 | 731,877 | (4,644,268) | 2,791,521 |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.09 years (2023: 1.36 years).

For the performance rights granted on 7 December 2023, the fair value has been measured using a Monte Carlo simulation. Non-market performance conditions attached to the arrangements was not taken into account in measuring fair value. The valuation model inputs used to determine the fair value at the grant date, are as follows.

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 07/12/2023 | 15/09/2026 | $1.10 | $0.00 | 45.00% | 3.89% | 4.14% | $0.530 |

**Note 37. Share-based payments (continued)**

For the performance rights granted on 8 and 13 May 2024, the fair value at the grant date has incorporated the occurrence of a successful Change of Control event by applying a discount to the valuation. This discount was determined by estimating the likelihood of a successful Change of Control event, based on the number of shareholders expected to accept the scheme.

The table below includes consolidated entity information required by section 295 of the *Corporations Act 2001* (Cth):

| Entity name | Entity type | Place formed / Country of incorporation | Ownership interest % | Tax residency |
|---|---|---|---|---|
| Pacific Smiles Group Limited (the company) | Body corporate | Australia | | Australia |
| Dentist Smiles Group Pty Limited | Body corporate | Australia | 100.00% | Australia |
| Dental Assistant Training Solutions Pty Limited | Body corporate | Australia | 100.00% | Australia |
| Pacific Eyes Pty Limited | Body corporate | Australia | 100.00% | Australia |
| Everything Dentures Pty Limited | Body corporate | Australia | 100.00% | Australia |

In determining tax residency, the consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR 2018/5.

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 Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

27 August 2024

# 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 gives a true and fair view, including of the ***Group***'s financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2024
- 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
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024
- Notes, including material accounting policies
- 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 ($179,752,000)

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.<br><br>Revenue of dental service fees was a key audit matter due to the significant audit effort to test the:<br><br>• High volume of transactions recorded as revenue and significant amount of revenue recognised;<br><br>• Largely manual nature of the Group s calculation of dentist payments and therefore service fee revenue, presenting risks of transactions being recorded incorrectly.<br><br>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:<br><br>• Evaluating the appropriateness of the Group s revenue recognition policies for revenue streams against the requirements of AASB 15 *Revenue from Contracts with Customers*;<br><br>• 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.<br><br>• Substantive procedures including:<br><br>– 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;<br><br>– 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;<br><br>– 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;<br><br>– 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.<br><br>• 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 report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report including the Remuneration Report, the Operational Overview and Insights, ESG Report, Shareholder Information and the Corporate Directory. The Chairperson's Report is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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 in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that 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.

## 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 2024 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 24 to 43 of the Directors' report for the year ended 30 June 2024.

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

KPMG

Kevin Leighton

*Partner*

Newcastle

27 August 2024

The shareholder information set out below was applicable as at 16 August 2024.

**Distribution of equity securities**
Analysis of number of equity security holders by size of holding:

| | Ordinary shares | |
|---|---|---|
| | **Number of holders** | **% Issued share capital** |
| 1 to 1,000 | 370 | 0.08 |
| 1,001 to 5,000 | 269 | 0.48 |
| 5,001 to 10,000 | 127 | 0.56 |
| 10,001 to 100,000 | 172 | 3.18 |
| 100,001 and over | 56 | 95.70 |
| | 994 | 100.00 |
| Holding less than a marketable parcel | 177 | 0.01 |

**Equity security holders**

*Twenty largest quoted equity security holders*
The names of the 20 largest security holders of quoted equity securities are listed below.

| | Ordinary shares | |
|---|---|---|
| | **Number held** | **% of total shares issued** |
| HSBC Custody Nominees (Australia) Limited | 52,962,823 | 33.19 |
| Beam Investments Co Pty Ltd | 31,750,000 | 19.90 |
| Alison Jane Hughes | 15,797,850 | 9.90 |
| Citicorp Nominees Pty Limited | 11,463,938 | 7.18 |
| Dr Alexander John Abrahams | 11,450,000 | 7.17 |
| BNP Paribas Nominees Pty Ltd (DRP) | 4,468,068 | 2.80 |
| J P Morgan Nominees Australia Pty Limited | 4,348,311 | 2.72 |
| Channings Holdings Pty Ltd (The Khan Holdings A/C) | 2,090,150 | 1.31 |
| Karen Wright | 2,022,000 | 1.27 |
| Mrs Susan Louise Abrahams | 2,000,000 | 1.25 |
| Just Paddling Pty Ltd (Rosebrook Super Fund A/C) | 1,954,646 | 1.22 |
| Mr Trevor Collins & Mrs Dianne Elizabeth Collins (The Trevor Collins Fam A/C) | 1,128,480 | 0.71 |
| Dr David Roessler | 766,200 | 0.48 |
| Mr Christopher Fergusson (Fergusson Holding A/C>) | 583,986 | 0.37 |
| BNP Paribas Nominees Pty Ltd (AGENCY LENDING DRP A/C) | 526,707 | 0.33 |
| Peter David Wade (WADE FAMILY A/C) | 523,862 | 0.33 |
| Inglenook Super Pty Ltd (Cameron Family S/F A/C>) | 500,000 | 0.31 |
| Lanlex No 93 Pty Ltd | 464,626 | 0.29 |
| Dr Allan Chow | 450,000 | 0.28 |
| Palm Beach Nominees Pty Limited | 428,429 | 0.27 |
| | 145,680,076 | 91.28 |

**Substantial holders**
Substantial holders based on information provided in the last substantial shareholders' notice in the Company are set out below.

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Genesis Capital | 31,750,000 | 19.90 |
| MA Asset Mgt | 21,427,932 | 13.43 |
| Spheria Asset Mgt | 18,352,761 | 11.50 |
| HBF Health | 16,000,000 | 10.03 |
| Ms Alison J Hughes | 15,797,850 | 9.90 |
| Mr Alexander J Abrahams | 15,404,646 | 9.65 |

**On-market buy-back**
There is no current on-market buy-back.

**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.

| | |
|---|---|
| Directors | Ms Zita Peach (retired with effect from the release of the results on 28 August 2024)<br>Non-Executive Chairperson and Non-Executive Director<br><br>Mr Andrew Vidler<br>Managing Director and Chief Executive Officer<br><br>Ms Giselle Collins<br>Non-Executive Director<br><br>Ms Jodie Leonard<br>Non-Executive Director<br><br>Dr Scott Kalniz<br>Non-Executive Director<br><br>Mr Steven Rubic<br>Non-Executive Director<br><br>Mr Mark Bloom (resigned 9 August 2024)<br>Non-Executive Director |
| Company secretary | Belinda Cleminson |
| Registered office | Level 1, 6 Molly Morgan Drive<br>Greenhills NSW 2323<br>T: 02 4930 2000<br>F: 02 4930 2099<br>W: www.pacificsmiles.com.au |
| Share register | Automic<br>Level 5, 126 Philip Street<br>Sydney NSW 2000<br>GPO Box 5193, Sydney NSW 2001<br>T: 1300 288 664 (within Australia) or +61 2 9698 54514 (outside Australia)<br>E: hello@automicgroup.com.au |
| Auditor | KPMG<br>Level 6, 18 Honeysuckle Drive<br>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 2024 and reflects the corporate governance practices in place for the 2024 financial year. The corporate governance statement was approved by the Board on 27 August 2024 and a copy can be found on the Pacific Smiles website. |