ANNUAL REPORT 2012

PACIFIC SMILES GROUP

"What pleases us most about the roll-out of new Centres is the clear demonstration of the scalability of the business model. We and the rest of the team are systematic in the way that we research, investigate, scope, design, develop, launch and operate Dental Care Centres."

MESSAGE FROM THE FOUNDERS

A year ago, in our Founders' Message, we reflected on a year of 'loading the bases' in preparation for the delivery of significant projects during financial year 2012. And delivered we have.

The relocation and expansion of the flagship Sydney nib Dental Care Centre and the integration of The Dental Specialists from York Street into that development, was one of the largest projects ever undertaken by the Pacific Smiles management team. It is also one of the largest and most sophisticated Dental Centres in Australia. The fact that it has been an outstanding success from day one is a testament to the deep skills that have been developed internally.

Those skills were also apparent in other key projects which were completed during the year and which expanded our operating frontier considerably. Pacific Smiles Dental North Lakes was our first new development in Queensland and it is well located within a major retail precinct about 40 minutes north of Brisbane. Pacific Smiles Dental Woden was our first Dental Centre in the ACT where it has quickly achieved an excellent reputation and strong patient demand, being open seven days a week.

Closer to our home base in the Hunter, we were proud to open a new Pacific Smiles Dental Centre at Kotara, one of the major retail areas of Newcastle. And Western Sydney was not ignored, with the opening of a Pacific Smiles Dental Centre in Penrith.

As founders, what pleases us most about the roll-out of new Centres is the clear demonstration of the scalability of the business model. We and the rest of the team are systematic in the way that we research, investigate, scope, design, develop, launch and operate Dental Care Centres.

This systematic and scalable approach extends to the consistent positioning of all our Dental Centres according to what we call the 6 A's, which are Availability, Accessibility, Array of Services, Affordability, Attention to Care and Service and Assurance of Quality. This positioning is completely focused on delivering the very best care, service and value to the patient. This positioning underpins the direction that we established right from the start with Pacific Smiles Group and we are proud to see it rolling out into an expanding geographic area.

Our focus on Dental Care Centre networks was enhanced this year with the completion of two other major initiatives, the sale of the Eye Care business and the execution of a new fifteen year agreement with nib to develop and operate nib branded Dental Care Centres.

Our successes accrue from the efforts and the commitment of all the dentists who practice from our fully serviced facilities and the staff and management who support them. We sincerely thank them all.

CHAIRMAN'S REPORT

It is a pleasure this year to report a record Net Profit Before Tax (NPBT) of $6.8 million, representing growth over the previous year of 98%. In the current economic climate, this was an outstanding result, achieved during a very busy year of major initiatives and against a backdrop of substantial geographic expansion of our Dental Centre networks into the three eastern mainland states of Australia and the ACT.

The Group now operates 34 Dental Centres, of which 6 are branded nib Dental Care Centres and 28 of which are Pacific Smiles Dental Centres. The latter are mainly located in regional hubs between one and three hours of capital cities.

For our shareholders, the excellent financial result has allowed the Board to declare a final dividend of 2.0 cents per share (fully franked). Added to the interim dividend of 1.2 cents per share paid in April 2012, the total annual dividend in relation to the 2012 financial year of 3.2 cents per share was up by 88% on last year and represents a payout ratio of 28%.

As mentioned in the Message from the Founders and covered in more detail in the Managing Director's report, there were many significant initiatives completed during the year. I won't elaborate on them here, other than to say that the Board is very pleased that Pacific Smiles Group is now more sharply focused on its core business of Dental Centre development and management and dental services support businesses such as Dental Assistant Training Solutions, our Registered Training Organisation for the dental industry.

With a sharp business strategy and effective execution, Pacific Smiles Group remains committed to achieving sufficient scale to undertake a liquidity event on behalf of all shareholders in the medium term, subject to conducive external conditions.

"Pacific Smiles Group enjoys well located and popular Dental Centres throughout the eastern mainland states and the ACT. Our focus on patient care as the key driver of all operational and financial outcomes continues to serve us well, as evidenced in the 2012 results."

In the meantime, the Board was pleased to provide the recent (post balance date) opportunity for all shareholders to participate in the 2012 Authorised Sale. This occurred in July 2012 and approximately 20% of issued shares were sold to new investors introduced to Pacific Smiles Group by TDM Asset Management. The price of $1.55 per share at which the transactions took place set a new benchmark for the Company.

As Chairman, I welcome the new investors and thank them for their confidence in our successful business model. Whilst there are now a number of dental corporates operating in the Australian market place, Pacific Smiles Group stands out as a scalable and sustainable organisation with stable, experienced management and excellent clinical and corporate governance.

I also welcome Ben Gisz to the Board of Directors of Pacific Smiles Group. Ben has extensive experience in financial markets in Australia and overseas and is a principal of TDM Asset Management. His contributions as a Director are greatly appreciated and I believe that Pacific Smiles Group is fortunate to have someone of his calibre on our Board.

The long term prospects for Pacific Smiles Group are very promising, but there are current challenges accruing from economy-wide negative consumer sentiment and the Federal Government retreat from direct funding of private dental services.

However, Pacific Smiles Group enjoys well located and popular Dental Centres throughout the eastern mainland states and the ACT. We have a pipeline of new Dental Centre developments that, subject to suitable market conditions, continue to roll out at a rate of approximately 3 to 6 per year. Our focus on patient care as the key driver of all operational and financial outcomes continues to serve us well, as evidenced in the 2012 results.

Thanks to all shareholders for their support and to all internal stakeholders for their commitment and diligence in producing such a pleasing result.

The Year in Review

MANAGING DIRECTOR'S REPORT

Financial Year 2012 proved that a clear strategy, well executed, will deliver record results, even in a challenging operating environment. With no clear signs of a lift in consumer sentiment in Australia and government policy changes that are quite adverse to the private dental services sector in the short to medium term, Pacific Smiles Group is benefiting from its prior period investments in people and systems and from a service culture that we believe is second to none in our industry.

The Net Profit Before Tax (NPBT) of $6.8 million was achieved from record services to patients to the value of $86 million. Obviously, some of this accrued from the new Dental Centres that were opened during the year, but organic growth from established Dental Centres was again strong this year, suggesting that our focus on patient care and customer service resonates with the communities that we serve.

Four brand new Pacific Smiles Dental Centres were opened during the year at North Lakes in Queensland, Kotara in Newcastle, Penrith in Western Sydney and Woden in Canberra. All four new Centres are located in close proximity to large Westfield Shopping Towns and benefit from excellent exposure and easy access. All four were designed and built to proprietary in-house templates and finishes guides and they all exude the professional, yet friendly Pacific Smiles appeal. So well documented and standardised are our new Centre developments that they can be rolled out without distraction to daily operational management or to other major strategic initiatives.

Since the balance date, three more Pacific Smiles Dental Centres have been opened at Bendigo in regional Victoria, Belmont in the Lake Macquarie region of New South Wales and Bateau Bay on the Central Coast of New South Wales.

As noted by the Chairman and the Founders, there were a number of strategic initiatives completed in Financial Year 2012. The sale of the Eye Care business was a major one, not so much by virtue of transaction size, but because it facilitated the transition of the organisation to a pure-play dental facilities and dental services business.

Soon after the sale of that business, Pacific Smiles Group entered into a new fifteen year Relationship and Marketing Agreement with nib Health Funds Limited. Under this agreement, Pacific Smiles Group enjoys exclusive rights to the development and operation of Dental Centres branded as nib Dental Care Centres. There are six such Centres in New South Wales and Victoria now, with other opportunities currently being explored.

One of the nib Dental Care Centres was relocated during the year. The flagship Sydney nib Dental Care Centre was relocated from George Street to Hunter Street and expanded to 18 surgeries. It is one of the most impressive Dental Centres in Australia and patient volumes have stepped up considerably since the move, validating the expansion.

A decision was finally made to close The Dental Specialists on York Street after some years of under performance and significant asset impairment write-downs in previous periods. Equipment and personnel were transferred to the new flagship nib Centre on Hunter Street, which benefited from having an even greater array of dental services to offer patients.

From an operational perspective, great strides were made during the year on our two key internal aims – consistency and efficiency. Increasingly, many of the recurring processes and communications in Centres and in Group Head Office are being automated. There is a way to go yet, but it was pleasing during the year to see the development of patient e-communications, an automated staff rostering system, an on-line workplace safety system and a company intranet, which will shortly go live.

As predicted, these systems are allowing Pacific Smiles Group to expand its networks of Dental Centres without commensurate increases in head office labour. The scalability dividend that the organisation is now enjoying is derived not only from these various systems technology investments, but from investments in people, training and systems over the years.

Training continues to be a foundation block for Pacific Smiles Group. It is the only dental corporate in Australia that owns and operates a Registered Training Organisation for the delivery of the nationally accredited Certificate III and Certificate IV in Dental Assisting. During the year, this 100% owned subsidiary, called Dental Assistant Training Solutions delivered a record number of qualifications and short courses to Trainees and other employees of Pacific Smiles Group and to a growing external customer base.

The proprietary in-house training program for patient care and customer service, which is called APPEx (A Perfect Patient Experience) is currently undergoing a revamp and shift from paper-based to an on-line self-administered series of education modules for all staff and dentists. As with all other automation projects at Pacific Smiles Group, the aim of this is to create a truly scalable asset to underpin a consistent approach in terms of process and culture.

OUTLOOK

Despite the outstanding results for Financial Year 2012 and a long term positive view, the intermediate outlook is shaded by economic uncertainty, subdued consumer sentiment and Federal Government policy changes that reduce support for the private dental services market in Australia.

At the time of writing this report, the Federal Government had just announced the termination of the Chronic Diseases Dental Scheme from late calendar 2012 and the Teen Dental Scheme at the end of 2013. Combined, these schemes represent about $1 billion per year and almost 15% of the total private dental services market in Australia. They are being terminated with no immediate replacement.

From January 2014, the Federal Government proposes a Dental Health Reform Package to provide $2.7 billion over six years to children aged 2 to 17 in Family-Tax-Benefit-A eligible households. If implemented, this will reach some 3.4 million Australian children and would be a huge boost to the private dental services market.

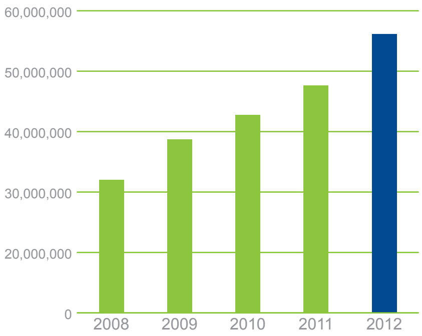
This step change in Federal Government funding, with a lengthy gap between the termination of one program and the commencement of the next, could serve to curtail demand for private dental services. Other recent government changes such as the means testing of the private health insurance rebate and of the Medical Expenses Tax Offset Scheme, could also depress demand for private dental services in the short term.

Pacific Smiles Group is less dependent upon Federal Government revenue streams than many other dental providers but is, nevertheless, likely to be impacted by these changes which coincide with a period of reduced discretionary expenditure and an increase in the number of dentists practicing in Australia.

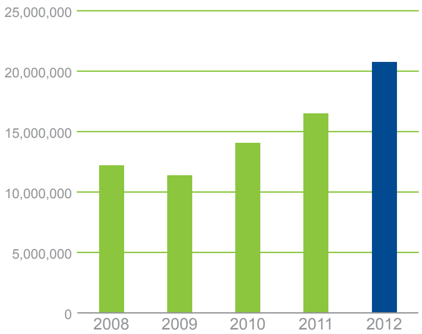
Management will work diligently to minimise the impacts of these multiple challenges in the short term and is committed to the continued development and expansion of profitable networks of Dental Centres where patient care and customer service remain the central focus.

PERFORMANCE HIGHLIGHTS

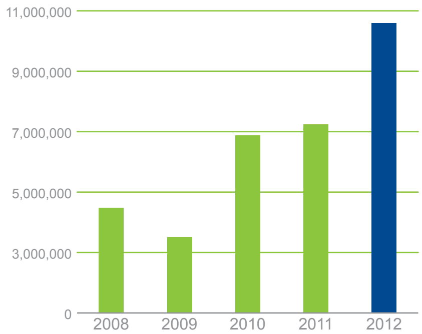
- Consolidated Group Net Profit After Tax of $4.7 million reported for 2012.
- Net Profit Before Tax was $6.8 million, up 98% on the previous year.
- Total Revenue up 17% to $56.7 million, derived from services provided by dentists to patients to the value of $86 million.
- Gross Profit up 19% on the previous year.
- At $10.6 million for 2012, EBITDA has increased by 48% compared with 2011. Excluding the impairment adjustments in 2011, the EBITDA from operations has increased by 28%.
- Balance sheet remains strong and gearing position is conservative. Borrowings have been reduced over the course of the year, with substantial investments in growing and enhancing the business funded largely by cash flows from operations.
- Total dividends paid of $888K, an increase of 32% over the previous year. Total dividends declared and paid in respect of the 2012 financial year, including a final dividend paid subsequent to year end, totalled 3.20 cents per share, representing a payout ratio of 28% of Net Profit After Tax.



Total Revenue

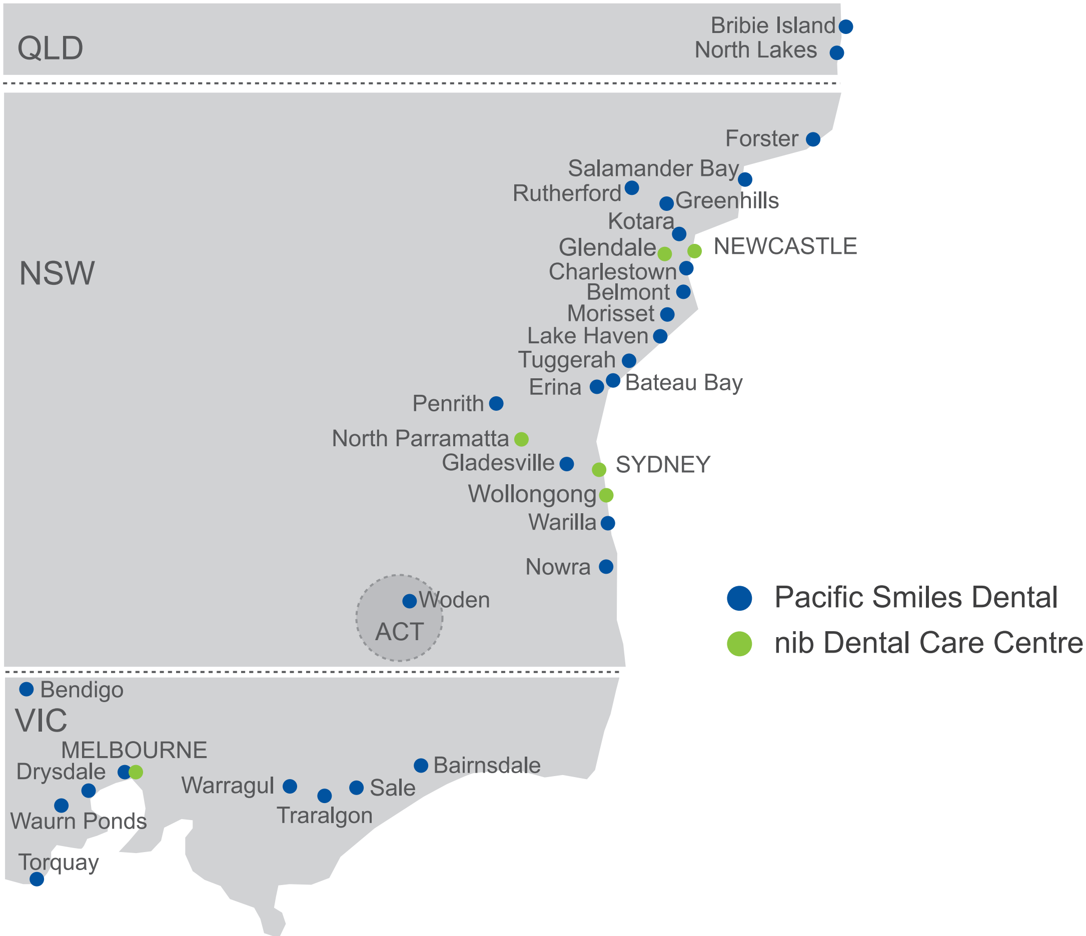


Net Assets



EBITDA

BUSINESS DEVELOPMENT HIGHLIGHTS



- Entry into the ACT market with the launch of Pacific Smiles Dental Woden
- Strengthened presence in the Hunter region with the opening of Pacific Smiles Dental Kotara
- First new development in Queensland, with the opening of Pacific Smiles Dental North Lakes
- Established Pacific Smiles Dental Penrith to extend reach into Western Sydney
- Relocation and expansion of the flagship nib Dental Care Centre in Sydney
- Completed the relocation of Pacific Smiles Dental Torquay into new and larger premises
- Planning well advanced for commissioning new Pacific Smiles Dental centres in Bendigo, Bateau Bay and Belmont

FINANCIAL REPORT

This financial report covers both Pacific Smiles Group Limited as an individual entity and the consolidated entity consisting of Pacific Smiles Group Limited and its subsidiaries.

The financial report is presented in the Australian currency.

Pacific Smiles Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and its principal place of business are located at 6 Molly Morgan Drive, Greenhills, NSW.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 2 to 4, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 25 October 2012. The Company has the power to amend and reissue the financial report.

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DIRECTORS' REPORT

FOR YEAR ENDED 30 JUNE 2012

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Pacific Smiles Group Limited and the entities it controlled at the end of, or during the year ended 30 June 2012.

Directors

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

R Cameron | A Abrahams | J Gibbs | S Rutherford | L Wheeldon | B Gisz appointed 18 July 2012

Robert Cameron AO

BE Min (Hons) MBA Grad. Dip. Geoscience, FAICD, FAIM, FAusIMM

Chairman, appointed in a non-executive capacity in 2003.

Bob Cameron is the Founder and Chairman (non-executive) of Centennial Coal Company Limited and was its Managing Director and Chief Executive Officer until 30 June 2011. He is currently Chairman of County Coal, Chairman of Hunter Valley Training Company, a director of Mining Education Australia, a director of the University of NSW Foundation and a Trustee of the Museum of Applied Arts and Sciences. Bob has been honoured with an Order of Australia, as part of the Queen's Birthday Honours List in 2012.

Alex Abrahams

BDS (Syd Uni), AIMM

Founder and Executive Director – Strategy and Business Development, appointed in 2003.

Alex has overseen the development of the Company from a group of partnerships to an incorporated entity on 1 January 2003. Alex is a Dentist with a special interest in dental implants. Alex is a member of the Australian Dental Association and a member of the Australian Osseointegration Society (Implants). He is a Director of Group Homes Australia Pty Limited, a Director of the Trustees of Canyon Property Trust and Key Health Unit Trust, and formerly a Board Member of Hunter Valley Grammar School.

John Gibbs

B.Bus, M.Bus. (Int. Mkg.), AFAIM, GAICD

Managing Director and Chief Executive Officer, appointed in 2008.

John commenced employment as General manager in 2004. He has a background of experience in the establishment and management of private health facilities and the development of private medical markets. He has established new private hospitals for Australian and international investors in the Asia-Pacific region and has participated in redevelopments in Australia. John has undergraduate and postgraduate Business and Marketing Degrees.

Simon Rutherford

B. Comm., CA, FAICD

Non-Executive Director, appointed in 2003.

Simon is a Chartered Accountant and Partner with Lawler Partners. He is a director of Lawler Corporate Finance Pty Limited, and specialises in strategy, structuring, business sales, mergers and acquisitions. In this role Simon has assisted various companies with capital raising, listing requirements and initial public offers. Simon is a Director of the Trustee of Canyon Property Trust and is involved with various syndicated investments. He also sits on a number of other Boards and boards of management.

DIRECTORS' REPORT

FOR YEAR ENDED 30 JUNE 2012

Lance Wheeldon

BAppSc

Non-Executive Director, appointed in 2003.

Lance is currently the CEO, Company Secretary and Executive Director of Hunter Valley Private Hospital and has led the significant development and expansion of this facility for over 10 years. He also has extensive prior experience in multisite networks as an Operations Manager in the pathology sector. Lance has a Bachelor of Applied Science degree and broad management experience in project management, mergers, information technology, organisational structures, workplace safety and human resource management.

Ben Gisz

B.Comm., CA, FFin, CFA

Non-Executive Director, appointed in 2012.

Ben is a principal of TDM Asset Management, a Sydney based private investment firm. Ben has extensive financial markets experience, including prior roles in private equity investing, investment banking and equities research. Ben holds a Bachelor of Commerce degree from the University of Sydney and is a Fellow of the Financial Services Institute of Australasia. Ben is also a Chartered Accountant and a CFA Charter holder.

Company Secretary

The company secretary is Jane Coleman B.Comm, MBA, CA, GAICD. Jane was appointed to the position of Company Secretary during 2006, and also holds the position of Chief Financial Officer within the Group. Jane is a Chartered Accountant. Before joining the Company, Jane worked in senior roles within a global chartered accounting firm, and within the health, finance and health insurance industries.

Principal Activities

Pacific Smiles Group continues to be an operator of Dental Care Centres at which independent and employed practitioners practice and provide clinical treatments and services to patients.

Review of Operations

The Group's net profit for the financial year after providing for income tax amounts to $4,747,958 (2011: $1,996,598).

Commentary on financial performance and other developments during the year are provided in the Group's Annual Report.

Dividends

Dividends paid to members during the financial year were $887,514 (2011: $674,138).

Likely Developments and Expected Results of Operations

The Group will continue to pursue opportunities to enhance the growth and prosperity of its business. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Shares Under Option

Details of shares under option are disclosed at Note 17 of the accompanying financial report.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation.

DIRECTORS' REPORT

FOR YEAR ENDED 30 JUNE 2012

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2012, and the attendances by each Director were:

	MEETINGS HELD WHILST A DIRECTOR	MEETINGS ATTENDED
Robert Cameron	11	10
Alex Abrahams	11	10
Simon Rutherford	11	10
Lance Wheeldon	11	10
John Gibbs	11	11

Matters Subsequent to the End of the Financial Year

Subsequent to the end of the financial year, the Directors declared a final dividend of 2.0 cents per share in relation to the financial year ended 30 June 2012. The dividend was paid in October 2012.

An extraordinary general meeting of Pacific Smiles Group Limited was held on 16 July 2012, at which Shareholders unanimously approved the 2012 Authorised Sale proposal and associated changes to the Company's constitution. These approvals enabled entities associated with TDM Asset Management Pty Ltd (TDM) to acquire a relevant interest in 19.9% of the issued shares of the Company for $13,000,000. In connection with the transaction, Mr Ben Gisz, a principal of TDM, was appointed as a Director of the Company.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

Insurance of Officers and Auditors

During the financial year, the Group paid a premium in respect of a contract insuring its directors and officers against a liability incurred as such an officer. No such insurance contracts apply to insure auditors of the Group.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Auditor

Cutcher & Neale continues as auditor in accordance with section 327 of the Corporations Act 2001.

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

Alexander Abrahams
Director
Greenhills - 25 October 2012

AUDITOR'S INDEPENDENCE DECLARATION

FOR YEAR ENDED 30 JUNE 2012

Cutcher&Neale ASSURANCE

CELEBRATING 60 YEARS

PACIFIC SMILES GROUP LIMITED ABN: 42 103 087 449

AUDITORS 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, during the year ended 30 June 2012 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.

Cutcher & Neale

Cutcher & Neale
Chartered Accountants

Mark O'Connor
Partner

24 October 2012

NEWCASTLE

Newcastle 25 Bolton Street (PO Box 694) Newcastle NSW 2300 **T** 02 4928 8500 **F** 02 4926 1971 **E** cnmail@cutcher.com.au
Sydney Suite 1 Level 2 Berry Square 77 Berry Street North Sydney NSW 2060 (PO Box 281 North Sydney NSW 2059) **T** 02 9923 1817

Cutcher&Neale ASSURANCE

CELEBRATING 60 YEARS

PACIFIC SMILES GROUP LIMITED ABN: 42 103 087 449

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PACIFIC SMILES GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Pacific Smiles Group Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Newcastle 25 Bolton Street (PO Box 694) Newcastle NSW 2300 **T** 02 4928 8500 **F** 02 4926 1971 **E** cnmail@cutcher.com.au
Sydney Suite 1 Level 2 Berry Square 77 Berry Street North Sydney NSW 2060 (PO Box 281 North Sydney NSW 2059) **T** 02 9923 1817

INDEPENDENT AUDIT REPORT

FOR YEAR ENDED 30 JUNE 2012

PACIFIC SMILES GROUP LIMITED ABN: 42 103 087 449

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PACIFIC SMILES GROUP LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pacific Smiles Group Limited on 24 October 2012, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Pacific Smiles Group Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Cutcher & Neale

Cutcher & Neale
Chartered Accountants

Mark O'Connor
Partner

NEWCASTLE
26 October 2012

DIRECTORS' DECLARATION

30 JUNE 2012

In the directors' opinion:

a. the financial statements and notes set out on pages 9 to 38 are in accordance with the Corporations Act 2001, including:

    i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

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

c. the financial statements comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Alexander Abrahams
Director
Greenhills - 25 October 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 30 JUNE 2012

	NOTES	2012	2011
		$	$
REVENUE	2	56,709,687	48,623,079
Cost of goods sold		(878,030)	(2,292,324)
Other direct expenses		(6,378,450)	(4,723,321)
Gross profit		49,453,207	41,607,434
Other expenses from ordinary activities			
Consumable supplies expenses		(5,354,025)	(4,133,082)
Employee expenses		(22,411,891)	(18,837,195)
Occupancy expenses		(4,771,159)	(4,307,161)
Marketing expenses		(1,438,105)	(1,615,014)
Administration and other expenses		(4,906,543)	(4,460,921)
Impairment of property, plant and equipment	3	2,719	(1,107,149)
Depreciation and amortisation expense	3	(3,287,702)	(3,202,449)
Finance costs	3	(489,453)	(506,654)
Profit before income tax		6,797,048	3,437,809
Income tax expense	4	(2,049,090)	(1,441,211)
Profit / (loss) for the year		4,747,958	1,996,598
Other comprehensive income		-	-
Total comprehensive income for the year		4,747,958	1,996,598

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	NOTES	2012	2011
ASSETS		$	$
Current Assets			
Cash and cash equivalents	6	4,654,737	3,415,433
Receivables	7	565,478	966,724
Inventories	8	1,522,999	1,503,815
Other	9	297,903	205,929
Total Current Assets		7,041,117	6,091,901
Non-Current Assets			
Property, plant and equipment	10	18,816,194	14,915,625
Intangible assets	11	8,978,570	9,785,690
Deferred tax assets	12	1,282,124	998,976
Total Non-Current Assets		29,076,888	25,700,291
Total Assets		36,118,005	31,792,192
LIABILITIES			
Current Liabilities			
Payables	13	6,365,283	5,804,222
Borrowings	14	5,950,282	6,080,836
Current tax liabilities	15	910,831	765,288
Provisions	16	1,432,871	1,348,062
Total Current Liabilities		14,659,267	13,998,408
Non-Current Liabilities			
Borrowings	14	971,740	1,356,355
Provisions	16	402,387	306,549
Total Non-Current Liabilities		1,374,127	1,662,904
Total Liabilities		16,033,394	15,661,312
Net Assets		20,084,611	16,130,880
EQUITY			
Contributed equity	17	11,355,349	11,262,062
Retained profits	18	8,729,262	4,868,818
Total Equity		20,084,611	16,130,880

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2012

	NOTES	CONTRIBUTED EQUITY	RETAINED PROFITS	TOTAL EQUITY
		$	$	$
Consolidated Balance at 30 June 2010		10,563,767	3,546,358	14,110,125
Total comprehensive income for the year		-	1,996,598	1,996,598
Transactions with equity holders in their capacity as equity holders:				
Movements in contributed equity	17	698,295	-	698,295
Dividends provided for or paid	5	-	(674,138)	(674,138)
		698,295	(674,138)	24,157
Consolidated Balance at 30 June 2011		11,262,062	4,868,818	16,130,880
Total comprehensive income for the year		-	4,747,958	4,747,958
Transactions with equity holders in their capacity as equity holders:				
Movements in contributed equity	17	93,287	-	93,287
Dividends provided for or paid	5	-	(887,514)	(887,514)
		93,287	(887,514)	(794,227)
Consolidated Balance at 30 June 2012		11,355,349	8,729,262	20,084,611

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2012

	NOTES	2012	2011
		$	$
Cash flows from operating activities			
Receipts from customers		62,170,334	52,638,932
Payments to suppliers and employees		(50,752,687)	(43,513,506)
		11,417,647	9,125,426
Interest received		129,791	142,367
Interest and finance costs paid		(452,607)	(539,103)
Income taxes paid		(2,234,056)	(1,652,450)
Net cash inflow from operating activities	29	8,860,775	7,076,240
Cash flows from investing activities			
Payments for purchases of businesses	25	-	(3,540,959)
Proceeds from disposal of a business	27	713,488	-
Payments for property, plant and equipment		(7,043,350)	(2,919,296)
Proceeds from disposal of property, plant and equipment		17,788	55,378
Loans advanced		(424,000)	-
Repayment of loans		424,000	-
Net cash outflow from investing activities		(6,312,074)	(6,404,877)
Cash flows from financing activities			
Proceeds from issue of shares		153,323	698,295
Share buy back		(60,036)	-
Proceeds from borrowings		1,121,870	497,027
Repayment of borrowings		(1,637,040)	(1,973,366)
Dividends paid		(887,514)	(674,138)
Net cash inflow / (outflow) from financing activities		(1,309,397)	(1,452,182)
Net increase / (decrease) in cash		1,239,304	(780,819)
Cash at the beginning of the financial year	6	3,415,433	4,196,252
Cash at the end of the financial year	6	4,654,737	3,415,433

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Pacific Smiles Group Limited and its subsidiaries.

a. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. Pacific Smiles Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with International Financial Reporting Standards (IFRS)

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

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

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

New Accounting Standards and Accounting Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the reporting period. Details of the impact of the adoption of these new accounting standards, where applicable, are set out in the individual accounting policy notes.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. None of these standards or interpretations have been adopted early in the preparation of these financial statements. On assessment of these new standards and interpretations, there is no material identified impact for the Group.

b. 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 2012 and the results of all subsidiaries for the year then ended. Pacific Smiles Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity.

c. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

1. Summary of Significant Accounting Policies (continued)

d. Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable.

Revenue from the rendering of services is recognised once the services have been provided and is measured in accordance with contractual calculation methods and rates.

Revenue from the sale of goods is net of returns, discounts and other allowances, and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Risks and rewards of ownership are considered to pass to the buyer at the time when control of the goods passes to the customer in the case of the supply of non-customised products, or at the time a significant monetary deposit is taken in the case of customised products.

e. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretations. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

f. Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception at the lower of the fair value of the lease asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the profit or loss as incurred.

Lease income from operating leases where the Group is a lessor is recognised in income as it is earned.

1. Summary of Significant Accounting Policies (continued)

g. Business Combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(m)).

Contingent consideration is classified as a financial liability and amounts are subsequently re-measured to fair value, with changes in fair value recognised in profit and loss.

h. Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets, including those that are subject to depreciation or amortisation 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows 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 judgement has been used in testing assets for impairment and in determining the amounts recognised as impairment losses at reporting date. Further details of the material impairment losses recognised in the financial statements in the previous financial year are provided below:

Impairment Loss – Property, Plant and Equipment

During the previous financial year, the Group recorded an impairment loss of $1,107,149 relating to the write down of the leasehold improvements assets at two of its Dental Centres. The adjustment comprised $685,692 relating to the Group's specialist Dental Centre located in Sydney, and $421,457 relating to a Dental Centre located in Melbourne.

The impairment assessments were made on the basis of the assets' expected value in use. Discounted cash flow forecasts were reviewed for each business unit, and the carrying value of the business assets exceeded their recoverable amount.

During the financial year ended 30 June 2012, a decision was made to cease operation of a dedicated specialist Dental Centre in Sydney, and instead facilitate the provision of a range of specialist dental services throughout the network of general Dental Centres operated by the Group. Assets with remaining carrying values that were previously utilised at the specialist Dental Centre have been redeployed to other productive uses within the Group.

i. 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.

j. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment if applicable.

The amount of the impairment loss is recognised in profit or loss with other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1. Summary of Significant Accounting Policies (continued)

k. Inventories
Inventories held for sale and stores of consumable supplies are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of actual costs.

l. Property, Plant and Equipment
All property, plant and equipment is stated at historical cost less depreciation, amortisation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight line method to allocate the cost of assets, net of their residual values, over their estimated useful lives, as follows:

Leasehold improvements	10 to 20 years
Plant and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

m. Intangible Assets
(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

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

(ii) 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 between three and ten years.

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

o. Borrowings
Borrowings are measured at amortised cost. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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

p. Employee Benefits
Provision is made for the Group's liability for employee benefits arising from services rendered by employees up to balance date. Employee benefits that may be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

1. Summary of Significant Accounting Policies (continued)

q. Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

s. Parent Entity Financial Information

The financial information for the parent entity, Pacific Smiles Group Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of Pacific Smiles Group Limited.

(ii) Tax consolidation legislation

Pacific Smiles Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Pacific Smiles Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Pacific Smiles Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly–owned entities fully compensate Pacific Smiles Group Limited for any current tax payable assumed and are compensated by Pacific Smiles Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Pacific Smiles Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

	2012	2011
	$	$
2. Revenue		
Services rendered	53,828,157	42,750,485
Sale of goods	1,812,768	4,935,080
Interest revenue	129,791	142,367
Rents	604,082	482,677
Government subsidies	287,683	145,100
Sundry income	47,206	167,370
	56,709,687	48,623,079

3. Expenses

Profit/(loss) before income tax includes the following specific expenses:

	2012	2011
Depreciation		
Plant and equipment	2,345,586	2,097,563
Leasehold improvements	690,148	811,059
Total Depreciation	3,035,734	2,908,622
Amortisation		
Rights and licences	251,968	293,828
Total Amortisation	251,968	293,828
Net loss on disposal of non-current assets	38,634	10,007
Impairment loss/(write-back) on write-down of assets to recoverable amount		
Receivables – other entities	(3,898)	27,869
Inventories	(26,806)	2,990
Property, plant and equipment	(2,719)	1,107,149
Interest and finance charges paid/payable	489,453	506,654
Rental expenses relating to operating leases	4,162,986	3,656,926
Defined contribution superannuation plans expense	1,762,891	1,549,128

	2012	2011
	$	$

4. Income Tax Expense

a. Income Tax Expense

	2012 $	2011 $
Current tax	2,379,600	1,698,963
Deferred tax (note 12)	(330,510)	(257,752)
	2,049,090	1,441,211

b. Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	2012 $	2011 $
Profit before income tax expense	6,797,048	3,437,809
Income tax calculated at 30% (2011: 30%)	2,039,114	1,031,343
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	72,090	84,648
Impairment loss – fixed assets	(816)	332,145
Sundry items	(61,298)	(6,925)
Income tax expense	2,049,090	1,441,211

c. Tax consolidation legislation

Pacific Smiles Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Pacific Smiles Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Pacific Smiles Group Limited for any current tax payable assumed and are compensated by Pacific Smiles Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Pacific Smiles Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

	PARENT ENTITY 2012	PARENT ENTITY 2011
	$	$
5. Dividends		
(a) Interim and final dividends totalling 2.10 cents (2011: Interim and final dividends totalling 1.60 cents) per share, fully franked based on tax paid @ 30%	887,514	674,138
(b) Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%)	5,893,584	3,940,861

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 impact on the franking account of the dividend declared by the directors and paid since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $362,067 (2011: $163,123).

	2012	2011
	$	$
6. Cash and Cash Equivalents		
CURRENT		
Cash at bank and in hand	4,654,737	3,415,433
7. Receivables		
CURRENT		
Trade debtors – related entity	-	88,442
Trade debtors – other entities	86,106	421,423
Provision for impairment – other entities	(14,350)	(24,487)
	71,756	485,378
Sundry debtors	493,722	481,346
	565,478	966,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

	2012	2011
	$	$
8. Inventories		
CURRENT		
Inventories – at cost	1,522,999	1,289,210
Inventories – at net realisable value	-	214,605
	1,522,999	1,503,815
9. Other Assets		
CURRENT		
Prepayments	170,381	139,608
Other	127,522	66,321
	297,903	205,929
10. Property, Plant and Equipment		
NON-CURRENT		
Leasehold improvements – at cost	15,166,137	12,047,714
Less accumulated depreciation and impairment	(4,632,313)	(4,233,518)
	10,533,824	7,814,196
Plant and equipment – at cost	17,309,691	14,726,751
Less accumulated depreciation and impairment	(9,027,321)	(7,625,322)
	8,282,370	7,101,429
Total property, plant and equipment	18,816,194	14,915,625

10. Property, Plant and Equipment (continued)

Movements in Carrying Amounts

2012	LEASEHOLD IMPROVEMENTS	PLANT & EQUIPMENT	TOTAL
	$	$	$
Carrying amount at the beginning of the year	7,814,196	7,101,429	14,915,625
Additions	3,421,365	3,621,985	7,043,350
Disposals	(14,308)	(95,458)	(109,766)
Depreciation expense	(690,148)	(2,345,586)	(3,035,734)
Impairment reversal/(loss)	2,719	-	2,719
Carrying amount at the end of the year	10,533,824	8,282,370	18,816,194

2011	LEASEHOLD IMPROVEMENTS	PLANT & EQUIPMENT	TOTAL
	$	$	$
Carrying amount at the beginning of the year	8,277,771	7,420,211	15,697,982
Additions	1,458,238	1,840,560	3,298,798
Disposals	(3,605)	(61,779)	(65,384)
Depreciation expense	(811,059)	(2,097,563)	(2,908,622)
Impairment loss	(1,107,149)	-	(1,107,149)
Carrying amount at the end of the year	7,814,196	7,101,429	14,915,625

11. Intangible Assets

	2012	2011
	$	$
NON-CURRENT		
Goodwill	9,733,313	9,733,313
Less accumulated amortisation and impairment	(1,052,088)	(1,052,088)
	8,681,225	8,681,225
Rights and licences	991,221	2,463,997
Less accumulated amortisation and impairment	(693,876)	(1,359,532)
	297,345	1,104,465
Total intangible assets	8,978,570	9,785,690

Movements in Carrying Amounts

2012	GOODWILL	RIGHTS & LICENSES	TOTAL
	$	$	$
Carrying amount at the beginning of the year	8,681,225	1,104,465	9,785,690
Additions	-	-	-
Disposals	-	(555,152)	(555,152)
Amortisation expense	-	(251,968)	(251,968)
Carrying amount at the end of the year	8,681,225	297,345	8,978,570

2011	GOODWILL	RIGHTS & LICENSES	TOTAL
	$	$	$
Carrying amount at the beginning of the year	5,544,964	1,398,293	6,943,257
Additions	3,136,261	-	3,136,261
Amortisation expense	-	(293,828)	(293,828)
Carrying amount at the end of the year	8,681,225	1,104,465	9,785,690

12. Deferred Tax Assets

	2012	2011
	$	$
NON-CURRENT		
The balance comprises temporary differences attributable to:		
Provision for doubtful debts	4,305	7,346
Write-down of inventories to net realisable value	-	8,366
Depreciation of property, plant and equipment	565,834	375,642
Accrued expenses	161,407	111,238
Provisions	550,578	496,384
Net deferred tax assets	1,282,124	998,976
Movements:		
Balance at the beginning of the year	998,976	724,659
Credited (charged) to the income statement	330,510	257,752
Assumption of deferred tax assets in business acquisitions	-	16,565
Reversal of deferred tax assets on disposal of business	(47,362)	-
Balance at the end of the year	1,282,124	998,976

13. Payables

	2012	2011
CURRENT		
Trade payables and accruals	6,365,283	5,804,222

	2012	2011
	$	$

14. Borrowings

CURRENT		
Secured:		
Bank bills	4,500,000	4,500,000
Bank loans	850,282	1,119,063
Other loans	-	284,333
	5,350,282	5,903,396
Unsecured:		
Other loans	600,000	177,440
Total	5,950,282	6,080,836
NON-CURRENT		
Secured:		
Bank loans	911,740	696,355
Unsecured:		
Other loans	60,000	660,000
Total	971,740	1,356,355

Security

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

Financing Arrangements

Access was available at balance date to the following lines of credit:

Total bank borrowings facilities	13,500,000	13,500,000
Used at balance date	(7,316,909)	(7,537,791)
Unused at balance date	6,183,091	5,962,209

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

15. Current Tax Liabilities

CURRENT		
Income tax payable	910,831	765,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

16. Provisions

	2012	2011
	$	$
CURRENT		
Employee benefits	1,432,871	1,348,062
NON-CURRENT		
Employee benefits	402,387	306,549
Movements:		
Balance at the beginning of the year	1,654,611	1,268,575
Amounts recognised in connection with business combinations	-	55,218
Reverse amounts in connection with business disposed	(157,875)	-
Additional provisions made	1,712,610	1,505,060
Amounts used	(1,374,088)	(1,174,242)
Balance at the end of the year	1,835,258	1,654,611

17. Contributed Equity

(a) Share Capital – No. of Shares	2012	2011
Ordinary shares – fully paid	42,241,151	41,627,518
Ordinary shares – partly paid	-	663,663
	42,241,151	42,291,181

Share Capital - $ of shares	2012	2011
	$	$
Ordinary shares – fully paid	11,355,349	10,784,905
Ordinary shares – partly paid	-	477,157
	11,355,349	11,262,062

17. Contributed Equity (continued)

(b) Movements

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$
30 June 2010	Opening Balance	41,633,652		10,563,767
1 September 2010	Share issue on exercise of options	200,000	$0.45	90,000
22 November 2010	Share issue on exercise of options	600,000	$0.60	360,000
23 March 2011	Conversion of partly paid shares into fully paid	(142,471)		-
30 June 2011	Regular calls on unpaid amounts of partly paid shares			248,295
30 June 2011	Balance	42,291,181		11,262,062
30 November 2011	Share buy back	(50,030)	$1.20	(60,036)
30 June 2012	Regular calls on unpaid amounts of partly paid shares			153,323
30 June 2012	Balance	42,241,151		11,355,349

(c) Ordinary Shares

Fully paid ordinary shares – Ordinary shares participate in dividends and the proceeds on 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.

Partly paid ordinary shares – The partly paid ordinary shares have been called on a scheduled basis throughout the year. All partly paid shares were fully paid up by the end of the financial year.

(d) Share Options

Unissued ordinary shares of the Company under option at the date of this report are set out below.

DATE OPTIONS GRANTED	EXERCISE DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
September 2008	September 2013	$1.00	250,000
October 2009	October 2012	$0.85	1,475,000
June 2010	July 2013	$1.00	85,843
September 2010	October 2012	$0.85	75,000
			1,885,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

	2012	2011
	$	$

18. Retained Profits

Balance at the beginning of the year	4,868,818	3,546,358
Net profit/(loss) for the year	4,747,958	1,996,598
Dividends	(887,514)	(674,138)
Balance at the end of the year	8,729,262	4,868,818

19. Remuneration of Auditors

Cutcher & Neale		
Audit of the annual financial report under the Corporations Act 2001	33,500	32,000

20. Contingencies

Bank guarantees	1,054,887	1,222,373

The bank guarantees at the end of the financial year relate to security provided under operating leases for premises.

21. Commitments

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Property, plant and equipment		
Payable within one year	268,818	449,294

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

Payable within one year	4,602,773	4032,899
Payable later than one year but not later than five years	16,155,004	15,936,893
Payable later than five years	15,989,326	16,781,968
	36,747,103	36,751,760

Operating leases relate to rented premises and motor vehicles. Leases have various terms, including some options to extend the terms.

22. Key Management Personnel Disclosures

(a) Directors

The names of persons who were directors of the Company at any time during the financial year were as follows:

Robert Cameron

John Gibbs

Alex Abrahams

Simon Rutherford

Lance Wheeldon

(b) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2012 and 2011 is set out below. The key management personnel are all the directors of the Group and the executive managers within the Group who report directly to the Board or Chief Executive Officer, and have prime responsibility for significant functional areas within the Group. These personnel are deemed to have the greatest authority for the strategic direction and management of the Group.

	2012	2011
	$	$
Short-term employment benefits	1,205,114	1,266,659

(c) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, is set out below.

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

Bislab Pty Limited ATF the Canyon Property Trust, an entity related to Alex Abrahams and Simon Rutherford, provided premises rental to the Company during 2012 and 2011 on normal commercial terms and conditions.

Exandal Investments, an entity related to Alex Abrahams and Alison Hughes, provided premises rental to the Company during 2012 and 2011 on normal commercial terms and conditions.

88 Park Avenue Pty Limited ATF the Key Health Unit trust, an entity related to Alex Abrahams, provided premises rental to the Company during 2012 on normal commercial terms and conditions.

Susan Abrahams, an individual related to Alex Abrahams, provided premises rental to the Company during 2012 and 2011 on normal commercial terms and conditions.

The Company received fees for the provision of services to Alex Abrahams and Alison Hughes under normal terms and conditions of dental service and facility agreements.

The Company received fees for the provision of property management and administration services to Exandal Investments, Bislab Pty Limited and 88 Park Avenue Pty Limited.

The Company paid fees for management and support services to Whitesail Pty Limited ATF AJ Abrahams Family Trust during the 2012 year. The entity is related to Alex Abrahams. Fees were based on an agreement approved by the Board, which reflects commercial terms and conditions.

The Company paid consultancy fees for specific advice and assistance to Lawler Partners during the 2012 and 2011 years. Lawler Partners is an entity related to Simon Rutherford. Fees paid were based on normal commercial terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

22. Key Management Personnel Disclosures (continued)

(c) Other transactions with key management personnel or entities related to them (continued)

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

	2012	2011
	$	$
Subscriptions for new ordinary shares	-	360,000
Dividends paid	631,894	476,403
Revenues from rendering of services	464,593	540,757
Administration fees received	2,038	9,792
Rental expense	1,164,502	1,068,556
Consultancy fees paid	3,514	-
Administration expenses	32,676	-

23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2012	2011
			%	%
Pacific Smiles Group Limited	Australia	-	-	-
Pacific Eyes Pty Limited *	Australia	Ordinary	100	100
Dentist Smiles Group Pty Limited	Australia	Ordinary	100	100
Dental Assistant Training Solutions Pty Limited	Australia	Ordinary	100	100
Pacific Medical Care Pty Limited **	Australia	Ordinary	100	100

* Change of name from Pacific Optical Pty Limited to Pacific Eyes Pty Limited during the year, in connection with the disposal of the Eye Care business.

** Subsidiary has not traded since incorporation.

24. Related Party Transactions

(a) Parent Entity

The parent entity within the Group is Pacific Smiles Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 23.

(c) Key Management Personnel

Disclosures of transactions involving key management personnel are set out in Note 22.

(d) Transactions With Related Parties

In addition to the disclosures in relation to key management personnel, the following transactions occurred with related parties. All transactions below involved entities within the wholly-owned group.

	2012	2011
	$	$
Provision of serviced dental facilities and related supplies	7,766,060	4,766,390
Sub-leasing of premises	75,581	227,057
Provision of management, administration and associated services and supplies	212,197	380,640
Provision of training services	54,572	34,053

Transactions between members of the wholly-owned group are undertaken on terms equivalent to those which apply to arms-length third parties where similar arrangements exist. Where services provided within the Group are not similarly provided to arms-length parties, charging methodologies are applied to reflect likely normal commercial terms intended to recover costs and return a reasonable margin.

25. Business Combinations

(a) Summary of Acquisitions

There were no business acquisitions during the financial year. Details of business acquisitions during the previous financial year are summarised below.

On 1 April 2011, the Group acquired a dental centre at Bribie Island, Queensland.

On 29 April 2011, the Group acquired a dental centre at Warilla, New South Wales.

Details of the aggregate fair value of the assets and liabilities acquired and goodwill were as follows:

	2012	2011
	$	$
Purchase consideration (refer to (b) below):		
Cash paid/payable	-	3,540,959
Fair value of net identifiable assets acquired (refer to (c) below)	-	404,698
Goodwill (note 11)	-	3,136,261

In some instances, purchase consideration has been determined provisionally, as future installments of the price are payable upon satisfaction of certain conditions. The full potential consideration, and hence goodwill, has been recognised as it was probable at balance date that these conditions will be fulfilled.

During 2011, $91,603 of additional consideration was paid in relation to a previous business acquisition, upon satisfaction of contractual conditions. This amount was recognised in Other Expenses in the Income Statement.

	2012	2011
	$	$
(b) Purchase Consideration		
Outflow of cash to acquire businesses, net of cash acquired		
Total consideration	-	3,540,959
Vendor finance/deferred consideration applied	-	480,000
Cash paid	-	3,060,959
Total outflow	-	3,540,959

No cash or bank overdrafts were acquired as part of the business acquisitions.

During 2011, acquisition-related transaction costs of $164,264 was included in Other Expenses in the Income Statement and in Operating Cash Flows in the Statement of Cash Flows.

	2012	2011
	$	$
(c) Assets and Liabilities Acquired		
The assets and liabilities arising from the acquisitions were as follows:		
Inventories	-	63,848
Plant and equipment	-	379,503
Deferred tax assets	-	16,565
Provision for employee benefits	-	(55,218)
Net identifiable assets acquired	-	404,698

26. Financial Risk Management

The Group's principal financial instruments comprise bank bills, bank and other loans, equipment finance instruments and cash. The main purpose of these instruments is to raise finance for the Group'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.

The Board has overall responsibility for the establishment and oversight of the risk management framework. 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 Group's activities. The main risks arising from the Company and Group's financial instruments are identified below.

Market Risk

The Group's exposure to market risk for changes in interest rates relates primarily to its bank debt obligations. A significant portion (90%) of the Group's borrowings at balance date attracted fixed interest rates, with fixed rates applying to the bank-provided equipment loans and bank bills. These loans are primarily used to partly finance the purchase of durable tangible assets and intangible assets such as goodwill acquired in business acquisitions. Of these fixed interest liabilities, $1,500,000 (or 22% of total borrowings) comprise bank bills, which have short durations and hence are repriced frequently. The remaining $3,000,000 of bank bills form part of a loan facility which is subject to annual review by the bank, but which has an interest rate fixed for more than twelve months. The remaining 10% of other loans were non-interest bearing.

Cash balances in cheque and other on-call accounts earned interest at rates ranging between 0.1% and 3.5% (2011: 1.25% and 4.75%) for the Group, depending upon account balances.

The weighted average interest rate on borrowings at the end of the year was 4.58% (2011: 5.22%) for the Group.

Interest Rate Sensitivity Analysis

	2012	2011
	$	$
Effect on profit before tax and equity:		
1% increase in interest rates	7,961	24,794
1% decrease in interest rates	(7,961)	(24,794)

Credit Risk

The Group has no significant concentrations of credit risk. The Group does not have significant credit exposure to any one financial institution or customer. The credit risk on financial assets of the consolidated entity which have been recognised in the balance sheet is generally the carrying amount, net of any provision for doubtful debts.

26. Financial Risk Management (continued)

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of working capital and bank borrowings. The Group aims to achieve this flexibility by keeping committed credit lines available. Opportunities to raise additional capital from shareholders are also considered where appropriate. Bank financing facilities are identified at Note 14.

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 of $7,618,150. Liabilities have been classified as current where it is probable that they will be settled within twelve months or if there is a contractual obligation that may require settlement within twelve months, regardless of how likely settlement under contractual arrangements is judged to be. The Group's current assets, available financing facilities, and ongoing positive operating cash flows continue to be sufficient to satisfy all payment obligations within the timeframes required.

Maturities of Financial Liabilities

The following tables show the maturity groupings of gross (undiscounted) payment obligations under contracts for financial liabilities.

	LESS THAN 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	TOTAL CONTRACTUAL AMOUNTS
	$	$	$	$
Consolidated – 2012				
Bank bills (*)	4,500,000	-	-	4,500,000
Bank loans	507,088	343,194	911,740	1,762,022
Other loans	60,000	540,000	60,000	660,000
Payables and accruals	6,365,284	-	-	6,365,284
	11,432,372	883,194	971,740	13,287,306
Consolidated – 2011				
Bank bills (*)	4,500,000	-	-	4,500,000
Bank loans	640,339	478,723	696,356	1,815,418
Other loans	401,773	60,000	660,000	1,121,773
Payables and accruals	5,804,222	-	-	5,804,222
	11,346,334	538,723	1,356,356	13,241,413

* Bank bills totaling $4,500,000 form part of a bank facility which is reviewed annually with the Bank. The overall facility does not have a fixed expiry date. It is an ongoing line of credit, subject to the Bank's annual review. The particular financial instruments drawn under the facility, such as bank bills, have specified maturity or roll-over dates, but the line of credit is un-termed. The Company anticipates the facility will be reviewed with the Bank during the next twelve months and will remain in place thereafter in the normal course of business. Balances outstanding under the facility have been classified as contractually due within twelve months for the purposes of this disclosure.

Fair Value

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

27. Segment Information

(a) Description of Segments

For part of the financial year, the consolidated entity was organised into two primary divisions by service type. These were Dental and Eye Care, and represented the operating segments of the business. On 14 November 2011, the Eye Care business was sold, and thereafter, the Group's activities are primarily Dental in nature.

The Group's activities are located throughout Eastern Australia.

(b) Segment Information

	DENTAL	EYE CARE	CONSOLIDATED
	$	$	$
2012			
Segment revenue			
Sales and services to external customers	53,843,088	1,797,837	55,640,925
Other revenue	1,051,119	17,643	1,068,762
Consolidated revenue	54,894,207	1,815,480	56,709,687
Segment result			
Profit/(loss) before income tax	6,866,450	(69,402)	6,797,048
Income tax expense			(2,049,090)
Profit after income tax			4,747,958
Segment assets	36,121,037	2,026	36,123,063
Unallocated assets			(5,058)
Total assets			36,118,005
Segment liabilities	16,036,427	1,525,414	17,561,841
Unallocated liabilities			(1,528,447)
Total liabilities			16,033,394
Other segment information			
Acquisitions of property, plant and equipment, intangibles and other non-current assets	7,039,906	3,444	7,043,350
Depreciation and amortisation expense	3,227,338	60,364	3,287,702
Impairment losses/(reversals)	-	(2,719)	(2,719)

27. Segment Information (continued)

2011	DENTAL $	EYE CARE $	CONSOLIDATED $
Segment revenue			
Sales and services to external customers	42,293,046	5,392,519	47,685,565
Other revenue	882,885	54,629	937,514
Consolidated revenue	43,175,931	5,447,148	48,623,079
Segment result			
Profit/(loss) before income tax	3,498,476	(60,667)	3,437,809
Income tax expense			(1,441,211)
Profit after income tax			1,996,598
Segment assets	31,119,796	1,216,677	32,336,473
Unallocated assets			(544,281)
Total assets			31,792,192
Segment liabilities	14,988,817	2,814,613	17,803,430
Unallocated liabilities			(2,142,118)
Total liabilities			15,661,312
Other segment information			
Acquisitions of property, plant and equipment, intangibles and other non-current assets	6,439,808	11,817	6,451,625
Depreciation and amortisation expense	3,029,945	172,504	3,202,449
Impairment losses	1,124,271	13,737	1,138,008

(c) Disposal of Eye Care Business

On 14 November 2011, the Group, via subsidiary company Pacific Optical Pty Limited, completed the sale of its Eye Care business. Details of the aggregate fair value of the assets and liabilities disposed are as follows:

	2012 $
Total disposal consideration	713,488
Fair value of net assets disposed	741,421
Net loss on disposal	27,933
Inflow of cash from disposal of business, net of cash disposed	
Deferred consideration	424,000
Cash received	289,488
Total inflow	713,488

No cash or bank overdrafts were disposed of as part of the business disposal. Deferred consideration was received prior to the end of the financial year. The assets and liabilities disposed were as follows:

Inventories	215,504
Plant and equipment	81,278
Intangible assets	555,152
Deferred tax assets	47,362
Provision for employee benefits	(157,875)
Net identifiable assets disposed	741,421

28. Events Occurring After the Balance Sheet Date

Subsequent to the end of the financial year, the Directors declared a final dividend of 2.0 cents per share in relation to the financial year ended 30 June 2012. The dividend was paid in October 2012.

An extraordinary general meeting of Pacific Smiles Group Limited was held on 16 July 2012, at which Shareholders unanimously approved the 2012 Authorised Sale proposal and associated changes to the Company's constitution. These approvals enabled entities associated with TDM Asset Management Pty Ltd (TDM) to acquire a relevant interest in 19.9% of the issued shares of the Company for $13,000,000. In connection with the transaction, Mr Ben Gisz, a principal of TDM, was appointed as a Director of the Company.

29. Note to the Statement of Cash Flows

Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities	2012 $	2011 $
Profit/(loss) for the year	4,747,958	1,996,598
Depreciation and amortisation	3,287,702	3,202,450
Impairment losses	(2,719)	1,107,149
Net loss on disposal of non-current assets	38,633	10,007
Change in operating assets and liabilities		
(Increase) decrease in receivables	401,246	(244,945)
(Increase) decrease in inventories	(234,688)	90,563
(Increase) decrease in other operating assets	(91,974)	(114,002)
(Increase) decrease in deferred tax assets	(330,510)	(257,752)
Increase (decrease) in trade payables	561,062	908,841
Increase (decrease) in provisions	338,522	330,818
Increase (decrease) in income tax	145,543	46,513
Net cash inflow from operating activities	8,860,775	7,076,240

30. Parent Entity Financial Information

(a) Summary Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance Sheet	2012 $	2011 $
Current assets	7,546,203	6,287,388
Total assets	36,455,100	31,225,201
Current liabilities	14,490,712	13,095,188
Total liabilities	15,864,839	14,745,311
Shareholders' equity		
Issued capital	11,355,349	11,262,062
Retained earnings	9,234,912	5,217,828
	20,590,261	16,479,890
Profit or (loss) for the year	4,904,599	2,166,255
Total comprehensive income	4,904,599	2,166,255

30. Parent Entity Financial Information (continued)

(b) Contingent liabilities of the parent entity	**2012**	**2011**
	$	$
Bank guarantees	1,054,887	1,222,373

The parent entity did not have any contingent liabilities or financial guarantees as at 30 June 2012 or 30 June 2011, other than bank guarantees.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2012, the parent entity had contractual commitments for the acquisition of property, plant or equipment totaling $268,818 (30 June 2011 - $449,294). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

FIVE YEAR HISTORICAL TRENDS

	2012	2011	2010	2009	2008
GENERAL INFORMATION					
Dental					
Number of Centres	31	28	25	19	17
Number of Surgeries	150	130	118	104	105
Eye Care					
Number of Centres	-	4	6	7	5
PROFIT AND LOSS	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total Revenue	56,710	48,623	43,485	39,527	33,657
Gross Profit	49,453	41,607	35,881	30,666	25,864
EBITDA	10,574	7,147	6,996	3,450	4,541
EBIT	7,287	3,944	4,222	938	2,690
Profit Before Income Tax	6,797	3,438	3,676	310	2,015
Profit/(Loss) After Income Tax	4,748	1,997	2,512	-420	1,389
BALANCE SHEET	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total Assets	36,118	31,792	29,906	26,687	26,512
Total Liabilities	16,033	15,661	15,796	15,204	14,413
Total Borrowings	6,922	7,437	8,914	9,013	9,515
Net Assets	20,085	16,131	14,110	11,483	12,099
Contributed Equity	11,355	11,262	10,564	9,984	9,542
Retained Profits	8,729	4,869	3,546	1,499	2,556
CASH FLOWS	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash Flows From Operations	8,861	7,076	5,869	5,211	2,617
Dividends - Fully Franked	888	674	465	385	312
RATIOS					
EBITDA / Revenue	18.6%	14.7%	16.1%	8.7%	13.5%
Profit After Income Tax / Revenue	8.4%	4.1%	5.8%	-1.1%	4.1%
Interest Coverage: EBITA / Net Interest	21.0 times	11.6 times	9.7 times	2.2 times	4.4 times
Gearing: Debt / (Debt and Equity)	25.6%	31.6%	38.7%	44.0%	44.0%
Return on Equity: Profit After Income Tax / Total Equity	23.6%	12.4%	17.8%	-3.7%	11.5%
Dividends Per Share	2.10 cents	1.60 cents	1.15 cents	1.0 cents	0.90 cents

NOTES

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nib DENTAL CARE CENTRES

NEW SOUTH WALES

Glendale - 595 Main Road
Newcastle - 366 Hunter Street
Parramatta - 28 Grose Street
Sydney - 27-31 Hunter Street
Wollongong - 106 Crown Street

VICTORIA

Melbourne - 356 Collins Street

nib.com.au/dentallocations

PACIFIC SMILES DENTAL CENTRES

NEW SOUTH WALES

Bateau Bay - Bateau Bay Sqaure
Belmont - 12 Thomas Street
Charlestown - Cnr Smart & Pearson Streets
Erina - Erina Fair
Forster - 22 South Street
Gladesville - 3 Meriton Street
Greenhills - 8 Molly Morgan Drive
Kotara - 88 Park Avenue
Lake Haven - Lake Haven Shopping Centre
Morisset - 49 Yambo Street
Nowra - 64 Junction Street
Penrith - 59 Station Street
Rutherford - West Mall, Rutherford Shopping Centre
Salamander Bay - 167 Salamander Way
Tuggerah - Westfield Shopping Centre
Warilla - 102 Shellharbour Road

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QUEENSLAND

Bribie Island - Bribie Island Shopping Centre
North Lakes - Westfield North Lakes

VICTORIA

Bendigo - Leading Healthcare Building, 84 Mollison Street
Bairnsdale -287 Main Street
Drysdale - 41 High Street
Melbourne - 360 Bourke Street
Sale - 56 Cunninghame Street
Torquay - 110 Geelong Road
Traralgon - 20 Hotham Street
Warragul - 130 Albert Street
Waurn Ponds - Medical One Building, 160 Colac Road

AUSTRALIAN CAPITALTERRITORY

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