Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	**1300SMILES Limited**
ABN	91 094 508 166
Financial Year Ended	30 June 2021
Previous Corresponding Reporting Period	30 June 2020

Results for Announcement to the Market

	$'000	Percentage increase/ (decrease) over previous corresponding period
Revenue from ordinary activities	44,281	11.3%
Profit / (loss) from ordinary activities after tax attributable to members	9,626	34.7%
Net profit / (loss) for the period attributable to members	**9,626**	**34.7%**
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	N/A
Interim Dividend	14.5 cents	100%
Record date for determining entitlements to the dividends		N/A
Brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to the accompanying director's report, financial statements and notes.		

Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	Nil
Total dividend	Nil
Amount per security of foreign sourced dividend or distribution	Nil
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	44.0 cents*	28.8* cents

* The net tangible asset (NTA) backing per ordinary share of 44.0 cents presented above is inclusive of right-of-use assets and liabilities.

Commentary on the Results for the Year

Refer to the accompanying director's report, financial statements and notes.

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	√	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

Financial Statements

Refer to the accompanying director's report, financial statements and notes.

By Order of the Board
Patrick Wyatt
Company Secretary
24 August 2021

1300 SMILES Dentists

ANNUAL REPORT

For the year ended 30 June 2021

1300 Smiles™ We Care

Contents

Letter from the Managing Director
30 June 2021

Dear Shareholders,

This year, the business has continued to manage the challenges facing all of us from COVID-19. The business has been resilient with its staff and dentists needing to manage short term movement restrictions and the disruptions that this provides for availability, patient bookings and the need for re-bookings.

Through this period, 1300SMILES Limited has focused on ensuring the best quality care and service for its patients and they have responded with a strong focus on health.

Financial Results for the year ended 30 June 2021

- Revenue (OTC) up 15% to $65.8 million
- Underlying EBITDA up 31% to $15.2 million
- NPAT up 35% to $9.6 million
- No Final dividend
- Revenue (Statutory) up 10% to $44.9 million
- NPBT up 34% to $13.1 million
- Earnings Per Share up 35% to 40.7c
- Bank debt down 11% to $13.3 million

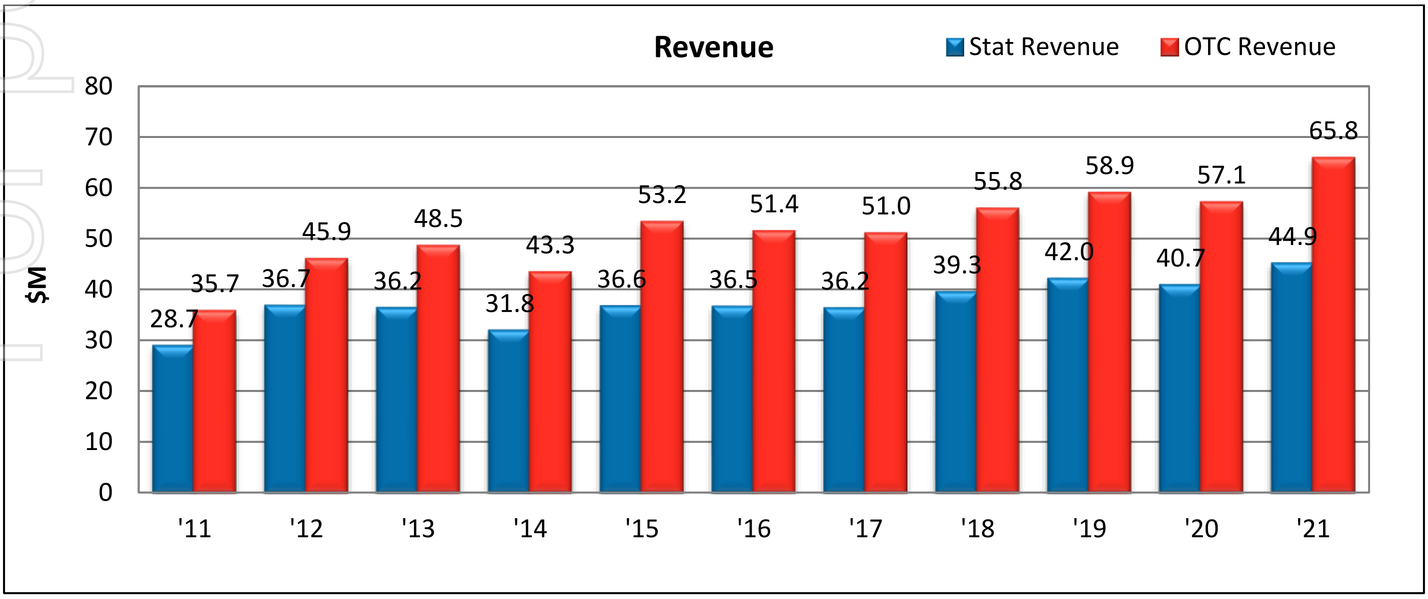
Scheme of Arrangement and dividend

As an event subsequent, 1300SMILES Limited has reached agreement with Abano Healthcare Ltd to propose for consideration of our shareholders of an acquisition of the Company by way of a Scheme of Arrangement. Details of the proposed acquisition is contained in a separate announcement released on the ASX.

Given the terms of the proposal, the company has determined that it will not declare a Final dividend for FY'21. The company intends to declare a fully franked Special Dividend prior to the implementation of the Scheme, which will enable shareholders to realise additional benefits of the Company's available franking credits.

Revenue

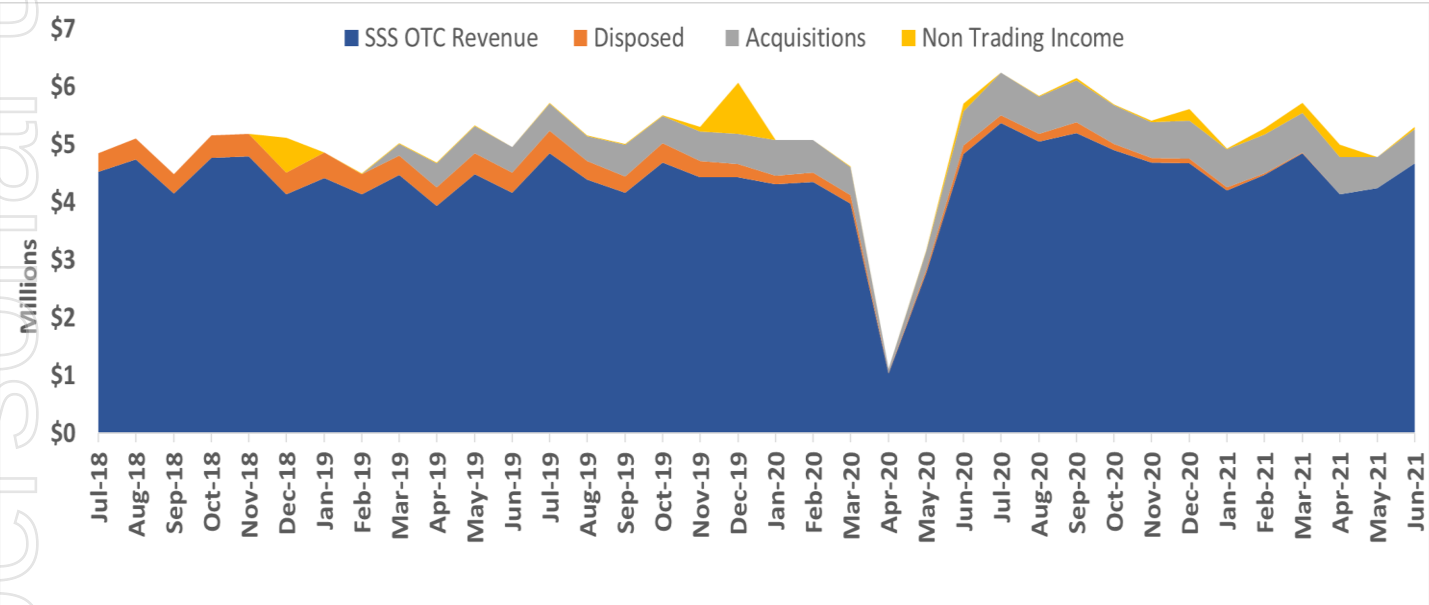
Over-the-counter Revenue grew by 15% from $57.1 million in FY'20 to $65.8 million in FY'21. This was a solid recovery from the extended lockdowns in FY'20. Statutory Revenue increased by 10% over the same period.



Reconciliation of OTC Revenue (non-IFRS) to Statutory Revenue per (Financial Statements)													
	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21
OTC Revenue ($m)	**27.6**	**30.7**	**35.7**	**45.9**	**48.5**	**43.3**	**53.2**	**51.4**	**51.0**	**55.8**	**58.9**	**57.1**	**65.8**
Less amount retained by self-employed Dentists ($m)	5.3	6.8	6.9	9.2	12.3	11.5	16.6	14.9	14.8	16.5	17.0	16.4	20.8
Statutory Revenue ($m)	**22.4**	**23.9**	**28.7**	**36.7**	**36.2**	**31.8**	**36.6**	**36.5**	**36.2**	**39.3**	**42.0**	**40.7**	**44.9**

Same Store Sales (SSS) 2019 - 2021

26 dental practices were in operation for the full year in both FY'19 and FY'20, revenue from these practices has been termed Same Store Sales (SSS). Same Stores Sales grew by 8% ($4 million) in FY'21 over FY'19. In addition to these operations, 6 dental practices that existed in FY'19 were disposed of by 30 June 2021. Over the same period, an additional 6 were acquired. The monthly trend in OTC Revenue between FY'19 and FY'21 is shown below:



As reported in the 1H'21 results, revenue for the first six months of FY21 was at a record high. In the second half of FY21, revenue performance moderated reflecting both seasonality and the catch-up effect post lockdowns which benefited the first half.

Subsequent to the end of the financial year, 1300SMILES Limited settled the acquisition of a large, long-established, multi-surgery (4 chairs) dental practice in Chinchilla, west of Toowoomba in Queensland on the 1st of July 2021. The company has also undertaken due diligence and contracted to acquire an additional larger practice (>$1.6 million revenue) in Bundaberg, making this its fourth therein. It is due to settle later in August 2021, the vendor dentist is committed to stay over the earnout period, as usual.

EBITDA

Underlying Operating Earnings Before Interest, Tax, Depreciation, and Amortisation – increased by 31% from $11.7 million in FY’20 to $15.2 million in FY’21 because of the increase in revenue and improvement in productivity among practitioners and staff.

Comparison with FY’19
To allow comparison with FY’19, EBITDA has been adjusted to pre- AASB 16. Underlying EBITDA pre AASB 16 increased by 16% from $10.5 million in FY’19 to $12.2 million in FY’21.

	FY'21	FY’20	FY'19	Change 20 to 21	Change 19 to 20
Reported EBITDA	**18,881**	**16,177**	**13,284**	**17%**	**42%**
(-) JobKeeper receipt	(2,185)	(1,805)	-		
(-) Other one-off or non-operating revenue included in EBITDA	(788)	(1,823)	(1,133)		
(-) Other one-off or non-operating income included in EBITDA	(664)	(897)	(1,639)		
Underlying Operating EBITDA[1]	**15,244**	**11,652**	**10,512**	**31%**	**45%**
(-) Rent not reflected in EBITDA because of AASB 16	(3,060)	(2,906)	-		
Underlying Operating EBITDA pre AASB 16[1]	**12,184**	**8,746**	**10,512**	**39%**	**16%**

Thanks

Shareholders will soon need to consider their support for a very significant transaction. We look forward to providing information in due course to allow shareholders to fully consider the situation and make their decision.

Our company is built on the efforts of its dentists, the support staff, practice and business management teams, all of which have performed admirably this year. With your continued efforts, our brand and business have a bright and growing future.

Dr Daryl Holmes OBE, B.D.Sc (Hons.)
Managing Director

[1] Underlying Operating EBITDA is useful as it removes significant items thereby facilitating a more representative comparison of financial performance between financial periods. Underlying EBITDA is a non-IFRS measure which is not subject to audit or review

Letter from the Managing Director

30 June 2021

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Ltd owns and operates full-service dental facilities at its sites in New South Wales, and in the ten major population centres in Queensland. The company continually seeks to expand its presence into other geographical areas throughout Australia. It does so both by establishing its own new operations and by acquiring existing dental practices. The administrative and corporate offices are in Townsville.

1300SMILES enables the delivery of services to patients by providing the use of dental surgeries, practice management and other services to self-employed dentists who carry on their own dental practices. The services provided by the company allow the dentists to focus on the delivery of dental services rather than on the administrative aspects of carrying on their businesses. The dentists pay fees to the company for the provision of these services under a Dental Service Agreement with the company. In some circumstances the company also employs qualified dentists.

The dentists who use the company's services range from new graduates to experienced dental professionals. Several dentists who use the company's services have special interests and experience in such areas as endodontics, oral surgery, implants and periodontics and cross-refer work to other dentists who use the company's services.

The company provides comprehensive services in the areas of marketing, administration, billing and collections, and facilities certification and licensing to all participating dentists. The company also provides all support staff, equipment and facilities, and sources all consumable goods using the buying power which derives from such a large group of dental businesses.

FUTURE DEVELOPMENTS

The company's core objective is to continue to increase profits and shareholder returns while providing a rewarding environment for our staff and the dentists using our facilities.

The company aims to achieve a combination of organic growth in its existing locations and the addition of new practice management facilities.

The key drivers for future growth of the company are:

- Increasing profits by attracting more dentists to our existing facilities and expanding those facilities which are already at full capacity;
- Assisting dentists who already practice within the 1300SMILES system to increase their turnover and income through benchmarking, training, and mentoring;
- Establishing new practices in existing and new regions (greenfield sites);
- Acquiring substantial existing practices where we can do so on favourable terms; and
- Managing dental facilities owned by others.

DENTIST ENQUIRIES

Owners of dental practices who are interested in unlocking the goodwill value of their businesses (or freeing themselves from all the management hassles) are invited to contact Dr. Daryl Holmes, Managing Director, on +61 (7) 4720 1300 or *md@1300SMILES.com.au.*

Qualified dentists who wish to know more about joining one of our established facilities are encouraged to contact Dr. Holmes directly or email dentalcareers@1300smiles.com.au or visit our website www.1300smiles.com.au/careers.

Directors' Report
For the year ended 30 June 2021

Your directors present their report on the consolidated entity consisting of 1300SMILES Limited (the company) and the entities it controlled at the end of, or during, the year ended 30 June 2021. Throughout the report, the consolidated entity is referred to as the group.

Directors

The following persons were Directors of 1300SMILES Limited during the whole of the financial year and up to the date of this report:

Robert Jones (Non-Executive Chairman)
Dr Daryl Holmes (Managing Director)
Jason Smith (Non-Executive Director)

Company secretary

The following person was company secretary of 1300SMILES Limited during the whole of the financial year and up to the date of this report:

Patrick Wyatt

Principal activities

During the financial year the principal continuing activity of the group was to provide dental and management services in Australia.

Dividends – 1300SMILES Limited

Dividends paid to members during the financial year were as follows:

	2021 $'000	2020 $'000
Final dividend for the year ended 30 June 2020 of 12.5 cents (2019: 12.50 cents) per ordinary share paid on 11 September 2020 fully franked based on a tax rate of 26%	**2,960**	2,960
Interim dividend for the half year ended 31 December 2020 of 14.5 cents (2019: 13.25 cents) per ordinary share paid on 18 March 2021 fully franked based on a tax rate of 26%	**3,433**	3,137
	6,393	6,097

The company has determined that it will not declare a Final dividend for FY21. The company intends to declare a fully franked Special Dividend prior to the implementation of the Scheme, which will enable shareholders to realise additional benefits of the Company's available franking credits.

Review of operations

The profit for the group after providing for income tax amounted to $9,626,000 (30 June 2020: $7,145,000).

Detailed comments on operations up to the date of this report are included separately in the Annual Report. Please refer to the Letter from the Managing Director on pages 1 to 4 of this annual report.

Significant changes in the state of affairs

Acquisitions
The group acquired one dental practice, Bundaberg Central Point, in Bundaberg (Queensland) on 7 December 2020.

Coronavirus (COVID-19) pandemic
The group actively managed the impact of COVID-19 on its team and business throughout the year and continues to monitor the impact going forward. The key focus throughout the lockdowns and restricted service periods was and continues to remain the health and safety of our team and maintaining a high level of service and reliability for our customers, to support them through these unprecedented times.

The business principally recovered from the shutdowns in FY'20. Trading was strong in the first half of FY'21 however, some practices in Southeast Queensland and New South Wales were negatively affected by intermittent lockdowns during the second half of FY'21. These locations continued to be negatively affected post 30 June 2021.

Events since the end of financial year

As an event subsequent, 1300SMILES Limited has reached agreement with Abano Healthcare Ltd to propose for consideration of our shareholders of an acquisition of the company by way of a Scheme of Arrangement. Details of the proposed acquisition is contained in a separate announcement released on the ASX.

Given the terms of the proposal, the company has determined that it will not declare a Final dividend for FY'21. The company intends to declare a fully franked Special Dividend prior to the implementation of the Scheme, which will enable shareholders to realise additional benefits of the Company's available franking credits.

On the 1st of July 2021, the company successfully purchased a dental practice in Chinchilla (Queensland) and is currently in the processes of acquiring another practice in Bundaberg (Queensland).

Apart from the matters mentioned above, no other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

- Ongoing opportunistic acquisitions
- Continued organic growth of existing practices
- Ongoing investigation of greenfield sites for new practices

Information on directors

Robert Jones
Non-Executive Chairman
MAICD

Experience and expertise:
Robert was a Director and Chairman of the Mater Health Services North Qld Ltd from 1993 until 2013. Mater Health Services North Qld Ltd owns and operates two fully accredited private hospitals in Townsville,

Information on directors (continued)

the Mater Hospital (Pimlico) and Mater Hospital (Hyde Park). Robert has been a Director and Chairman since 2007.

Robert is a member of the Australian Institute of Company Directors.

Robert is considered an Independent Director by the Board. Robert was appointed Chairman on 25 September 2007.

Other current Directorships:	Hermit Park Bus Service Pty Ltd (unlisted)
Special responsibilities:	Nil
Interest in shares:	37,521 ordinary shares in 1300SMILES Limited
Interests in options:	None

Dr Daryl Holmes OBE
Managing Director
B.D.Sc (Hons.), MAICD

Experience and expertise:
Dr Holmes is the founder of 1300SMILES Limited and a qualified dentist having obtained his dental qualifications (B.D.Sc (Hons.)) at Queensland University in 1987. During the last two years of his five year degree he accepted a scholarship from the Royal Australian Air Force (RAAF). Upon completion of his degree he practised dentistry as a RAAF Dental Officer (1988-91). Thereafter, in 1991, he began private dental practice in Ayr and Home Hill, North Queensland. Dr Holmes has been a Director of the company since its inception in 2000.

For 12 years he pioneered and perfected a range of innovative management and marketing techniques for his dentistry business, in the process transforming a cottage industry into a polished and professional customer service experience, backed up by affordable high quality dental health care.

1300SMILES Limited successfully listed on the ASX in March 2005. It now operates practices in the ten major population centres in Queensland and more recently in New South Wales.

Dr Holmes has been a member of the Australian Dental Association (ADA) for 34 years.
Dr Holmes has been a Director of the Cowboys Leagues Club for the past 19 years, and in May 2014 he was elected Chairman.

Dr Holmes is not considered to be an Independent Director by the Board given his role as Managing Director.

Other current Directorships:	Cowboys Leagues Club Ltd (Public, unlisted)
Former Directorships (in the last 3 years):	None
Special responsibilities:	Nil
Interests in shares:	14,711,729 ordinary shares in 1300SMILES Limited
Interests in options:	None

Information on directors (continued)

Jason Smith
Non-Executive Director

Experience and expertise:
Jason is founder and Executive Chairman of Back In Motion Health Group. With 100+ locations in Australia and New Zealand, Back In Motion was rated by BRW five years consecutively in the top 15 fastest growing franchises.

Jason is author of a recent best-selling book titled "Outside In Downside Up Leadership" and was listed as the No.2 Top Franchise Executive in Australia for 2019. He has also previously published the international best seller "Get Yourself Back In Motion" – a physiotherapist's secrets to pain relief and optimal health. He is a regular contributor and presenter on health & wellness, leadership and business-related subjects on television, radio, print and online channels. Jason has demonstrated commitment to those less fortunate through his work with numerous humanitarian welfare organisations and community groups.

In addition, Jason is a member of the Franchise Council of Australia, the Australian Physiotherapy Association, various CEO groups and special interest business forums. He is highly regarded for his contribution and advocacy in leadership development, health promotion, boardroom strategy and innovative business. Jason is based in Melbourne, Victoria.

Jason is considered an Independent Director by the Board. Jason was appointed Director of the Board on 23 November 2017.

Other current Directorships:	Back In Motion Health Group (unlisted) SOS Health Foundation (unlisted) Iceberg Leadership Institute (unlisted)
Former Directorships (in the last 3 years):	S.A.L.T. (unlisted)
Special responsibilities:	Nil
Interests in shares:	2,068 ordinary shares in 1300SMILES Limited
Interests in options:	None

Meetings of directors

The number of meetings of the company's Board of Directors and Board Committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Attended	Held
Robert Jones	14	14
Dr Daryl Holmes	14	14
Jason Smith	14	14

Remuneration report (audited)

The Directors present the 1300SMILES Limited 2021 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

Remuneration report (audited) (continued)

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and link to performance
(c) Board performance evaluation
(d) Elements of remuneration
(e) Link between remuneration and performance
(f) Remuneration expenses for executive and non-executive KMP
(g) Contractual arrangements for executive KMP
(h) Non-executive Directors arrangements
(i) Additional statutory information
(j) Voluntary information: remuneration received

(a) Key management personnel (KMP) covered in this report

Non-Executive and Executive Directors (see pages 6 to 8 for details about each Director)
Robert Jones
Dr Daryl Holmes
Jason Smith

Other key management personnel

Name	Position
Natalie Duve	Operations Manager
Roman Chideme	Financial Controller

(b) Remuneration policy and link to performance

The Board as a whole directly undertakes the responsibilities normally referred to a Remuneration Committee. The Board reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. In particular, 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 and easily understood, and
- acceptable to shareholders.

This includes responsibility for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the group and company depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board is responsible for determining remuneration packages applicable to the Executive Director. The Executive Director determines the remuneration packages for the senior executives of the company in accordance with compensation guidelines set by the Board.

The Board assesses the appropriateness of the nature and amount of remuneration of Directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the company. Further details on the remuneration of Directors and executives are set out in this Remuneration Report.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remunerations are separate.

Remuneration report (audited) (continued)

(c) Board performance evaluation

The performance of the Board is reviewed periodically. A Board evaluation process including an evaluation of individual non-executives was last undertaken during the 2016 financial year.

The 2016 review encompassed feedback on the chair and individual Non-Executive Directors as well as consideration of board succession planning, diversity and breadth and sufficiency of skills represented on the Board. At that time, the results confirmed that the Board continues to function in an appropriate manner. The Board also carries out informal performance monitoring sessions at each in-person meeting of the Board.

Board Skill Matrix

The Company has developed a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. The skills matrix helps to identify any gaps in the collective skills of the Board that can then be addressed through professional development initiatives for Directors and in Board succession planning.

- A review of Board skills and experience was undertaken during the 2018 financial year, and the collective skills and experience of the current Board and skills the Board is looking to achieve in its membership are in the areas of, but not limited to industry experience and the growth, acquisition and management of independent operating units;
- Industry experience: approved products – substantial experience in the global supply of approved products;
- Executive leadership experience in global communities – substantial experience in senior executive roles for businesses across multiple global locations;
- Strategy – substantial experience in the development and implementation of strategic plans to deliver investor returns over time;
- Capital management – substantial experience in capital management strategies, including partnerships and capital raisings;
- Financial and risk management – expertise and experience in financial accounting and reporting, internal controls and financial disclosure;
- Human resources – substantial experience in oversight of remuneration, incentives, equity programs, benefits and employment contracts; and
- Governance – substantial experience in public entity disclosure, management oversight and inquiry, listing rules and compliance.

Each of these skills is well represented on our Board.

(d) Elements of remuneration

Non-Executive Director Remuneration

The company seeks to set aggregate remuneration at a level which provides the company with the ability to attract, retain and motivate directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

ASX listing rules requires that the aggregate Non-Executive Directors' remuneration shall be determined periodically by a general meeting.

The company has resolved that the maximum aggregate amount of Directors' fees (which does not include remuneration of Executive Directors and other non-director services provided by Directors) is $150,000 per annum. Non-Executive Directors are entitled to be reimbursed for their reasonable expenses incurred in

Remuneration report (audited) (continued)

connection with the affairs of the company. A Director may also be remunerated as determined by the Directors if that Director performs additional or special duties for the company. A former Director may also receive a retirement benefit of an amount determined by the Directors in recognition of past services, subject to the ASX Listing Rules and the Corporations Act 2001.

The remuneration of Non-Executive Directors is detailed in part (h) of this remuneration report.

Executive Director and other key management personnel remuneration
The company aims to develop remuneration packages properly reflecting each person's duties and responsibilities whilst ensuring the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses at the discretion of the Board on the achievement of specific goals relating to the performance of the company.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board of Directors, based on individual and overall performance of the entity and comparable market remuneration.

(e) Link between remuneration and performance

Remuneration is reviewed on an annual basis by the Board and increases are at the discretion of the Board. Bonuses and incentive payments are at the discretion of the Board.

(f) Remuneration expenses for executive and non-executive KMP

The following table shows details of the remuneration expense recognised for the group's executive and non-executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Remuneration report (audited) (continued)

Fixed remuneration	Short-term benefits Salary and fees $	Post-employment benefits $	Total $
*Non-Executive Directors**			
Robert Jones			
2021	**36,864**	**5,296**	**42,160**
2020	40,000	3,470	43,470
Evonne Collier (resigned 6 April 2020)			
2020	22,500	-	22,500
Jason Smith			
2021	**30,000**	**-**	**30,000**
2020	22,500	-	22,500
Executive Directors			
Dr Daryl Holmes			
2021	**83,403**	**7,923**	**91,326**
2020	83,211	7,905	91,115
Other Key Management Personnel			
Natalie Duve			
2021	**157,536**	**14,966**	**172,502**
2020	135,129	12,837	147,966
Roman Chideme**			
2021	**137,674**	**13,079**	**150,753**
2020	64,582	6,135	70,717
Total 2021	**445,477**	**41,264**	**486,741**
Total 2020	367,922	30,347	398,269

**Non-executive directors waived their fees for 6 months from April to September 2020.*
*** Roman joined on 30 September 2019*

(g) Contractual arrangements with executive KMPs

Remuneration and other terms of employment for certain key management personnel are formalised in service agreements. Details of these agreements are as follows:

Dr Daryl Holmes (Managing Director)
Agreement commenced: 8 March 2005

Term of agreement:
The agreement may be terminated by either the company or Dr Holmes after two years by giving not less than three months' notice or by the company in the event of material breach of misconduct by Dr Holmes.

Details:
Dr Holmes' remuneration comprises a salary of $92,811 inclusive of statutory superannuation entitlements and is reviewable on a yearly basis. In addition, Dr Holmes is entitled to be reimbursed for reasonable expenses incurred by him in carrying out his obligations under the agreement. Dr Holmes also provides dental services pursuant to a Dental Service Agreement on normal commercial terms and conditions.

Remuneration report (audited) (continued)

The Directors believe that the remuneration is appropriate for the duties allocated to Dr Holmes, the size of the Group's business, the industry in which the Group operates, and that Dr Holmes also receives income from a Dental Service Agreement with the company. There are no pay-outs upon resignation or termination, outside of industrial regulations.

Natalie Duve (Operations Manager)
Agreement commenced: 18 October 2017

Term of agreement:
The agreement may be terminated by either the company or Natalie giving not less than 4 weeks' notice or by the company in the event of material breach of misconduct by Natalie.

Details:
Natalie's remuneration comprises a salary of $168,630 inclusive of statutory superannuation entitlements and annual performance-based incentive up to 10% of base salary. Remuneration is reviewable on a yearly basis. In addition, Natalie is entitled to be reimbursed for reasonable expenses incurred by her in carrying out her obligations under the agreement. There are no pay-outs upon resignation or termination, outside of industrial regulations.

Roman Chideme (Financial Controller)
Agreement commenced: 30 September 2019

Term of agreement:
The agreement may be terminated by either the company or Roman giving not less than 4 weeks' notice or by the company in the event of material breach of misconduct by Roman.

Details:
Roman's remuneration comprises a salary of $140,525 inclusive of statutory superannuation entitlements and annual performance-based incentive of $15,000. Remuneration is reviewable on a yearly basis. There are no pay-outs upon resignation or termination, outside of industrial regulations.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

(h) Non-executive Director arrangements

Non-executive Directors receive a board fee and fees for chairing or participating on board committees (see table below). They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing other committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data.

Base fees	30 June 2021
Chair	$40,000
Other Non-Executive Directors*	$30,000

**Non-executive directors waived their fees for 6 months from April to September 2020.*

Remuneration report (audited) (continued)

(i) Additional statutory information

Relative proportions of fixed vs variable remuneration expense
The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the table on page 12.

		Fixed remuneration	
		2021	**2020**
Executive Directors	Daryl Holmes	**100%**	100%

Share-based compensation

Issue of shares
No shares were issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021 (2020: nil).

Options
There were no options issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021 (2020: nil).

There were no options granted to or exercised by Directors and other key management personnel as part of compensation during the year ended 30 June 2021 (2020: nil).

Shareholdings
The number of shares in the parent entity held during the financial year by each Director and other members of key management personnel of the group, including their personally related parties, is set out below:

2021 Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Robert Jones	**37,521**	-	-	-	**37,521**
Dr Daryl Holmes	**14,711,729**	-	-	-	**14,711,729**
Jason Smith	**2,068**	-	-	-	**2,068**
Natalie Duve	**26,962**	-	-	-	**26,692**
	14,778,280	-	-	-	**14,778,280**

2020 Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Robert Jones	37,521	-	-	-	37,521
Dr Daryl Holmes	14,711,729	-	-	-	14,711,729
Jason Smith	71	-	1,997	-	2,068
Natalie Duve	26,962	-	-	-	26,692
	14,776,283	-	1,997	-	14,778,280

Remuneration report (audited) (continued)

Loans given to key management personnel
As at 30 June 2021, there are no loans made to Directors of 1300SMILES Limited and other key management personnel of the group, except for a share loan of $229,522 to Natalie Duve as disclosed as part of Note 14, including their close family members and entities related to them.

Other transactions with key management personnel
The group is party to the following agreements on normal commercial terms and conditions with the Managing Director, Dr Daryl Holmes, or entities related to Dr Holmes:
• Golden Arch Pty Limited ATF the Whistler Trust provides rental premises;
• Ashbourne Park Pty Limited ATF Daryl Holmes Superannuation Fund provides rental premises;
• Three Island Pty Ltd provides rental premises.

The company received revenue for dental management services from Golden Arch (Qld) Pty Ltd for services provided under a Dental Service Agreement.

Included in lease liabilities is $912,579 committed to Golden Arch Pty Ltd over a period of 4 years, and $389,369 committed to Three Island Pty Ltd over a period of 5 years, and $688,708 committed to Ashbourne Park Pty Limited over a period of 4 years.

There were no loans to or from related parties at the reporting date.

Aggregate amounts of each of the above types of other transactions with key management personnel of 1300SMILES Limited:

	2021 $	2020 $
Received for goods and services:		
Dental management services	**67,149**	45,283
Payment for other expenses:		
Rental expense paid to related parties	**690,686**	498,410

Voting of shareholders at last year's annual general meeting
1300SMILES Limited received more than 98.76% of "yes" votes on its remuneration report for the 2021 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(j) Voluntary information: remuneration received

The amounts disclosed in the table on page 12 as executive and KMP remuneration for the 2021 financial year reflect the actual benefits received by each KMP during the reporting period. The remuneration values disclosed have been determined as follows:

Fixed remuneration
Fixed remuneration includes base salaries received, payments made to superannuation funds, the taxable value of non-monetary benefits received and any once-off payments such as sign on bonuses or termination benefits, see page 12 to 14 for details. Fixed remuneration excludes any accruals of annual or long-service leave.

End of remuneration report

Shares under option
There were no options outstanding as at 30 June 2021 (2020: nil).

Shares issued on the exercise of options
There were no shares of 1300SMILES Limited issued on the exercise of options during the year ended 30 June 2021 (2020: nil).

Diversity

The Company values diversity and recognizes the benefits it can bring to the organisation's ability to achieve its goals. Diversity can lead to a competitive advantage through broadening the talent pool for recruitment of high quality employees, by encouraging innovation and improving a corporation's image and reputation. Accordingly, the Group is committed to promoting diversity within the organisation and has adopted a formal policy outlining the Group's diversity objectives. It includes requirements for the Board to establish measurable objectives for achieving diversity and for the Board to annually assess the objectives, and the Group's progress in achieving these objectives.

A copy of the diversity policy is available at www.1300smiles.com.au

With respect to gender diversity, the Group has set the following objectives:
1. aim to increase the number of women on the Board of Directors as vacancies arise and circumstances permit;
2. aim to increase number of women who hold senior executive positions as vacancies arise and circumstances permit; and
3. ensure the opportunity exists for equal gender participation in all levels of professional development programs.

The following table reports the Group's progress towards achieving its gender diversity objectives for points one and two above. In regard to point three, the Group did ensure that an equal opportunity existed for gender participation in all levels of professional development programs during the year. For completeness, as at 30 June 2021 the Company had 338 employees, of which 306 (91%) were female.

	Number of women As at 30 June 2021	Number of women As at 30 June 2020	Increase / (decrease)
Board of Directors	**0**	0	-
Senior Executive	**6**	6	-

The Board has delegated the responsibility for reviewing and reporting on diversity, specifically gender diversity, to the Human Resources Manager.

Environmental regulation

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract to insure the Directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium. During or

since the end of the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.
The company has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related entity against a liability incurred by the auditor. The indemnity is limited to liabilities arising out of their duties as officer or auditor of 1300SMILES Limited, and legal costs incurred in defending an action for said liabilities but only to the extent that the liability arises out of conduct in good faith.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditor (PKF Brisbane Audit or related parties) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors 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.*

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2021 $	2020 $
PKF Brisbane		
Tax compliance services	**31,296**	24,120

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' Report have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Dr Daryl Holmes
Managing Director

Townsville
24 August 2021

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF 1300SMILES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF BRISBANE AUDIT

TIM FOLLETT
PARTNER

BRISBANE
24 AUGUST 2021

Corporate governance statement

For the year ended 30 June 2021

1300SMILES Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. 1300SMILES Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The current corporate governance statement was adopted by the Board effective 1 July 2016. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at https://1300smiles.com.au/corp-governance/

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue			
Services revenue	5	**44,281**	39,802
Other income	6	**664**	897
Total revenue		**44,945**	40,699
Expenses			
Consumables, lab fees and other supplies		**(5,922)**	(5,153)
Employee benefits expense	7	**(15,426)**	(14,203)
Depreciation and amortisation expense	7	**(5,236)**	(5,507)
Property expenses		**(583)**	(522)
Operating expenses		**(3,571)**	(4,063)
Corporate and administrative expenses	7	**(562)**	(581)
Finance costs	7	**(532)**	(884)
Total expenses		**(31,832)**	(30,913)
Profit before income tax expense		**13,113**	9,786
Income tax expense	8	**(3,487)**	(2,641)
Profit for the year		**9,626**	7,145
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,626**	7,145
		Cents	Cents
Earnings per share			
Basic earnings per share	9	**40.7**	30.2
Diluted earnings per share	9	**40.7**	30.2

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	**4,247**	6,681
Trade receivables	12	**1,573**	2,197
Inventories		**385**	257
Other assets	13	**1,570**	1,792
Loans receivable	14	**500**	271
Financial assets - investments	15	**445**	259
Total current assets		**8,720**	11,457
Non-current Assets			
Loans receivable	14	**7,810**	5,551
Property, plant and equipment	16	**12,550**	12,767
Right-of-use assets	17	**8,139**	8,447
Investment property	18	**1,625**	1,625
Intangible assets	19	**33,926**	34,308
Total non-current assets		**64,050**	62,698
Total Assets		**72,770**	74,155
LIABILITIES			
Current Liabilities			
Trade and other payables	21	**3,729**	4,300
Provisions	22	**878**	838
Current tax liabilities	8	**421**	1,222
Other liabilities	23	**174**	1,315
Lease liabilities	17	**2,885**	2,865
Total current liabilities		**8,087**	10,540
Non-current Liabilities			
Trade and other payables	21	**-**	401
Deferred tax liabilities	20	**712**	360
Provisions	22	**449**	444
Other liabilities	23	**186**	260
Loans payable	24	**13,300**	15,000
Lease liabilities	17	**5,670**	6,017
Total non-current liabilities		**20,317**	22,482
Total Liabilities		**28,404**	33,022
Net Assets		**44,366**	41,133
EQUITY			
Contributed equity	25	**15,501**	15,501
Retained profits		**28,865**	25,632
Total Equity		**44,366**	41,133

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Contributed equity $'000	Retained profits $'000	Total equity $'000
Consolidated Balance at 30 June 2019		15,501	24,584	40,085
Total comprehensive income for the year		-	7,145	7,145
Transactions with owners in their capacity as owners:				
Dividends paid	10	-	(6,097)	(6,097)
Consolidated Balance at 30 June 2020		**15,501**	**25,632**	**41,133**
Total comprehensive income for the year		**-**	**9,626**	**9,626**
Transactions with owners in their capacity as owners:				
Dividends paid	10	**-**	**(6,393)**	**(6,393)**
Consolidated Balance at 30 June 2021		**15,501**	**28,865**	**44,366**

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

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**46,980**	41,513
Payments to suppliers and employees (inclusive of GST)		**(31,824)**	(29,114)
		15,156	12,399
Job Keeper receipts		**2,185**	1,805
Interest received		**379**	370
Interest and other finance costs paid		**(291)**	(513)
Income taxes paid		**(4,054)**	(1,477)
Net cash inflow from operating activities	36	**13,375**	12,584
Cash flows from investing activities			
Advances for other loans receivable		**219**	80
Advances (payments) of share loans provided		**124**	(250)
Advances for loans receivables	14	**(3,500)**	(375)
Proceeds from sale of property, plant and equipment		**681**	521
Payments of property, plant and equipment	16	**(1,284)**	(1,720)
Payments of intangible assets		**(11)**	(30)
Payments for deferred consideration	23	**(417)**	(100)
Payments for purchase of businesses, net of cash acquired	33	**(468)**	(1,886)
Net cash outflow from investing activities		**(4,656)**	(3,760)
Cash flows from financing activities			
Repayment of borrowings		**(15,900)**	(15,500)
Drawdown of borrowings		**14,200**	21,300
Dividends paid	10	**(6,393)**	(6,097)
Repayment of lease liabilities	17	**(3,060)**	(2,480)
Net outflow from financing activities		**(11,153)**	(2,777)
Net (decrease)/increase in cash and cash equivalents		**(2,434)**	6,047
Cash and cash equivalents at the beginning of the financial year		**6,681**	634
Cash and cash equivalents at the end of the financial year	11	**4,247**	6,681

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

Note 1. Corporate information

The financial report of 1300SMILES Limited (the company) and its wholly owned subsidiaries (together, the group) was authorised for issue in accordance with a resolution of Directors on 24 August 2021. The Directors have the power to amend and reissue the financial report. 1300SMILES Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the group are described in the Directors' Report. The financial report is presented in Australian dollars.

Note 2. Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of 1300SMILES Limited and its subsidiaries.

Except for cash flow information, 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.

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 and the *Corporations Act 2001*. 1300SMILES Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the 1300SMILES Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the group:

New standards and interpretations adopted by the group in 2021

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.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the group's financial statements.

Critical accounting estimates

The preparation of the 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 in note 3.

Note 2. Summary of significant accounting policies (continued)

Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 33).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM') – being the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised on the following basis:

Rendering of services

Revenue from the rendering of dental services over the counter is recognised at a point in time, upon the performance of the service by the dentist. Patients are billed at the time of service delivery and revenue recognised. Service fees from contract dentists is recognised upon the performance of services. There is no major judgement required with there being one performance obligation being the rendering of services.

Membership and treatment plans

Revenue from membership and treatment plans is recognised on an accrual basis over time, in line with services rendered. In the circumstance whereby no service has been rendered, revenue will start to be recognised by the group when a service obligation has occurred per the contract.

Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. Interest revenue is derived from loans receivable and cash at bank.

Note 2. Summary of significant accounting policies (continued)

Other revenue

Other revenue is recognised when performance obligations have been achieved in accordance with contracts with customers.

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 and to unused tax losses.

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 countries where the company's subsidiaries and associates 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 interpretation. 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 transaction 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1300SMILES Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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.

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.

Note 2. Summary of significant accounting policies (continued)

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.

Business combinations

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

The consideration transferred for the acquisition of a dental practice comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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.

Note 2. Summary of significant accounting policies (continued)

Impairment of assets

Goodwill and 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 assets are tested 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 of disposal and value in use. 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 the end of each reporting period.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment, in accordance with the expected credit losses requirements of AASB 9. The group applies the AASB 9 simplified approach to recognising expected credit losses which uses a lifetime expected loss allowance for all trade receivables. No provision for impairment was determined by the Board at balance date.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial assets unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Where there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets - investments

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- held for trading, where they are acquired for the purpose of selling in the short term with an intention of making a profit, or a derivative; or
- designated as such upon initial recognition where permitted.

Fair value movements are recognised in profit or loss.

Note 2. Summary of significant accounting policies (continued)

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue costs or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis or the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduced the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Property, 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 using either the diminishing value or prime cost method to allocate the cost of property, plant and equipment, net of their residual values, over their estimated useful lives. Depreciation on leasehold improvements is calculated using the straight line method to allocate the cost of the asset over the shorter period of the life of the asset or the lease term as follows:

Plant and equipment	3 to 15 years
Leasehold improvements	3 to 15 years
Buildings	40 years

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

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.

Investment property

Investment properties are held for long-term rental yields or appreciation in sale value. They are carried at fair value in accordance with AASB 140. Fair value is determined using a market approach using recent observable market data for similar properties. Changes in fair value are presented in profit or loss as part of other income.

Note 2. Summary of significant accounting policies (continued)

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, except were included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site of 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 re-measurement of lease liabilities.

The group has elected not to recognise a right-of-use assets and corresponding 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

Goodwill

Goodwill on acquisitions of dental practices is included in intangible assets. Goodwill is not amortised but it 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Intellectual property

Intellectual property has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate cost of the intellectual property over the estimated useful life of the intellectual property which is 10-20 years.

Future maintainable revenue stream

Future maintainable revenue stream is the capitalisation of patient acquisition costs and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate cost of the future maintainable revenue stream over the estimated useful life, which is 5 to 10 years.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software

Note 2. Summary of significant accounting policies (continued)

- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Loans payable

Loans payable are initially recognised at fair value, net of any transaction costs. Loans payable are subsequently stated at amortised cost using the effective interest method, where any difference between the net proceeds and redemption value is recognised in profit or loss over the period of the borrowing. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after Balance Sheet date. All borrowing costs are expensed.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or rate are expensed in the period in which they are incurred.

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 assets is fully written down.

Finance costs

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

Note 2. Summary of significant accounting policies (continued)

Provisions

Provisions for legal claims and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration key performance criteria. The group recognises a payable where contractually obliged or where there is a past practice that has created a constructive obligation.

Note 2. Summary of significant accounting policies (continued)

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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 and asset or paid to transfer a liability in an orderly transactions 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Contributed equity

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

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 2. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of 1300SMILES 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)

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.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Parent entity financial information

The financial information for the parent entity, 1300SMILES Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investment in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of 1300SMILES Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Note 2. Summary of significant accounting policies (continued)

Tax consolidation legislation

1300SMILES Limited and its wholly owned subsidiary decided to implement the tax consolidated legislation in the year ended 30 June 2014 effective from 20 May 2014. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head company within the tax-consolidated group is 1300SMILES Limited.

Comparative Amendments

Some account classifications have changed in the current year and in order to improve the accuracy of presentation, comparative figures have also been reclassified for consistency.

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 which 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 within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the group unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic. The board continues to actively monitor the situation.

Business combinations

The acquisition of businesses requires the identification of net assets acquired, including any identifiable intangible assets, and an assessment of their fair value. Judgement is required in determining whether intangible assets are identifiable in the acquisition of dental practices. No intangible assets are identifiable as there are no such assets that are either separable from the business or arise from contractual or other legal rights.

Management estimates the fair value of the tangible assets acquired. The group uses its judgement to select a variety of methods and make assumptions based mainly on market conditions existing at the time of the business combination.

Goodwill

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has 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 value-in-use calculations. 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 19 for further information.

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

Investment property

The group measures investment property at fair value through profit or loss, disclosed on note 18. Judgement was involved in the determination of the fair value attributed to the portion of 361 Flinders Street, Townsville which related to investment property as opposed to the owner-occupied portion. Management used rental returns and the original premises acquisition cost as inputs in allocating the fair value.

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

Note 4. Operating segments

Identification of reportable operating segments

Operating segments have been determined on the basis of reports reviewed by the Board of Directors (who are identified as the chief operating decision makers). The Board considers the business from a geographic perspective and assess performance and allocate resources on this basis.

Each reporting segment derives revenue from dental services of $43,493,000 (2020: $37,979,000) within a particular geographic area. The operating segments are aggregated into the one reportable segment as the long-term financial performance and economic characteristics of the operating segments are similar.

The financial results from this reportable segment are equivalent to the financial statements of the group.

Note 5. Services revenue

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Sales revenue		
Service fees	**43,493**	37,979
Other revenue		
Interest	**517**	455
Consulting revenue	**-**	320
De-recognition of contingent consideration	**73**	550
Other revenue	**198**	498
	788	1,823
Services revenue	**44,281**	39,802

Note 6. Other income

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Gain on sale – fixed assets	**-**	897
De-recognition of other payables	**478**	-
Fair value gain on financial assets - investments	**186**	-
	664	**897**

Note 7. Expenses

	Consolidated	
	2021	2020
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	6	-
Leasehold improvements	368	395
Plant and equipment	1,596	1,769
Right-of-use assets	2,854	2,867
Total depreciation	4,824	5,031
Amortisation		
Software	86	119
Intellectual property	219	271
Future maintainable revenue stream	107	86
Total amortisation	412	476
Total depreciation and amortisation	5,236	5,507
Finance costs		
Interest and finance charges paid/payable on borrowings	318	607
Interest and finance charges paid/payable on lease liabilities	214	277
Total finance costs	532	884
Rental expense relating to operating leases		
Short-term lease payments	175	233
Corporate and administrative expense		
Other corporate and administrative expenses	562	581
Employee benefits expense		
Defined contribution superannuation expense	1,337	1,133
Dentist expense – employed	3,227	3,030
Dental hygienist/therapist – employed	48	77
Support and practice staff	12,999	11,768
JobKeeper receipts	(2,185)	(1,805)
Employee benefits expense	15,426	14,203

Note 8. Income tax expense

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax expense		
Current tax	**3,069**	2,791
Deferred tax	**352**	(115)
Adjustments for current tax of prior periods	**66**	(21)
Adjustments for deferred tax of prior periods	**-**	(14)
Total income tax expense	**3,487**	2,641
Deferred income tax (income) expense included in income tax expense comprises:		
Increase in deferred tax assets	**(13)**	(71)
(Decrease) increase in deferred tax liabilities	**365**	(110)
	352	(181)
Numerical reconciliation of income tax expense to prima facie tax payable		
Total profit before income tax	**13,113**	9,786
Tax at the Australian tax rate of 26% (2020: 27.5%)	**3,409**	2,691
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**-**	4
Amortisation	**39**	-
Prepayments	**7**	-
De-recognition of contingent consideration	**(19)**	-
Other	**(15)**	-
Non assessable income		
Other	**-**	(19)
	3,421	2,676
Adjustments for current tax of prior periods	**66**	(21)
Adjustments for deferred tax of prior periods	**-**	(14)
Income tax expense	**3,487**	2,641

Current tax liabilities

	2021 $'000	2020 $'000
Current tax liabilities	**421**	1,222

Note 9. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2021	2020
	$'000	$'000
Net profit attributable to ordinary equity holders	**9,626**	7,145
	Shares	**Shares**
Weighted number of ordinary shares for basic earnings per share		
Number of shares	**23,678,384**	23,678,384
	Cents	**Cents**
Earnings per share	**40.7**	30.2
Diluted earnings per share	**40.7**	30.2

Note 10. Dividends

	Consolidated	
	2021	2020
	$'000	$'000
Final dividend for the year ended 30 June 2020 of 12.5 cents (2019: 12.5 cents) per ordinary share paid on 11 September 2020 fully franked based on a tax rate of 26%	**2,960**	2,960
Interim dividend for the half year ended 31 December 2020 of 14.5 cents (2019: 13.25 cents) per ordinary share paid on 18 March 2021 fully franked based on a tax rate of 26%	**3,433**	3,137
	6,393	6,097

The company has determined that it will not declare a Final dividend for FY'21. The company intends to declare a fully franked Special Dividend prior to the implementation of the Scheme, which will enable shareholders to realise additional benefits of the Company's available franking credits.

Franking credits available for subsequent financial years based on a tax rate of 25% (2020: 27.5%)	**10,768**	8,796

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 the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Note 11. Cash and cash equivalents

	Consolidated	
	2021	2020
	$'000	$'000
Cash on hand	**11**	9
Cash at bank	**4,236**	6,672
	4,247	6,681

Classification as cash equivalents

Term deposits are presented as cash equivalents if they have maturity of three months or less from the date of acquisition and are accessible with 24 hours' notice with no loss of interest.

Note 12. Trade receivables

Trade receivables	**1,373**	1,337
Sundry debtors	**-**	594
Membership and treatment plan receivables	**200**	266
	1,573	2,197

Past due receivables

Customers with balances past due but not impaired amount to $167,000 as at 30 June 2021 ($363,000 as at 30 June 2020). These past due debtors were all 1 to 3 months overdue. Management do not anticipate a deterioration of receivables recoverability due to the COVID-19 pandemic.

Note 13. Other assets

Current assets		
Prepayments	**485**	339
Other current assets	**1,033**	1,422
Interest receivable	**52**	31
	1,570	1,792

Note 14. Loans receivable

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current		
Loans receivable (b)	**500**	-
Other loans receivable	**-**	271
	500	271
Non-current		
Share loan principal (a)	**1,651**	2,001
Share loan interest	**159**	116
Other loans receivable	**-**	434
Loans receivable (b)	**6,000**	3,000
	7,810	5,551

a) Ordinary share loans were made pursuant to a company loan funded program to incentivise consultants, contractors, and executive management. Shares are held in voluntary escrow. The voluntary escrow is progressively released over a six-year period. The loans are full recourse and repayable 13 months after the company makes a call on the borrowers. The loans are secured by lien over the shares acquired from proceeds of the share loan. In the event the borrowers sell any shares, a proportionate percentage of the outstanding loan is required to be repaid. Interest on loans is charged on a commercial basis, at 3.5%.

b) Redeemable preference shares were acquired during the period in an unlisted public company. Terms of fixed interest repayments range from 3 months to 36 months, with rates of return varying from 2.75% to 12%. No voting rights are attached to the shares held. Management intends to hold the investments for cash flow purposes and not share trading purposes.

Note 15. Financial assets - investments

	2021	2020
Current		
Listed ordinary shares – designated at fair value through profit or loss	**445**	259
	445	259
Reconciliation		
Opening fair value	**259**	208
Disposals	**-**	(22)
Revaluation increments	**186**	73
Closing fair value	**445**	259

Note 16. Property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Leasehold improvements – at cost	**3,653**	5,936
Less: Accumulated depreciation	**(2,022)**	(4,373)
	1,631	1,563
Plant and equipment – at cost	**21,715**	23,362
Less: Accumulated depreciation	**(12,102)**	(13,464)
	9,613	9,898
Land and buildings	**1,306**	1,306
	12,550	12,767

Reconciliations

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

Consolidated	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2019	1,306	10,529	1,429	13,264
Additions	-	1,172	-	1,172
Addition from business combinations	-	620	47	667
Transfers	-	(600)	600	-
Disposals	-	(54)	(118)	(172)
Depreciation expense	-	(1,769)	(395)	(2,164)
Balance at 30 June 2020	1,306	9,898	1,563	12,767
Balance at 1 July 2020	**1,306**	**9,898**	**1,563**	**12,767**
Additions	**-**	**1,258**	**492**	**1,750**
Addition from business combinations #	**-**	**189**	**-**	**189**
Disposals	**-**	**(136)**	**(50)**	**(186)**
Depreciation expense	**-**	**(1,596)**	**(374)**	**(1,970)**
Balance at 30 June 2021	**1,306**	**9,613**	**1,631**	**12,550**

Refer to note 33

Note 17: Leases

Right-of-use assets

Right-of-use assets breakdown as follows, by type of underlying asset:

	30 June 2021 $'000	30 June 2020 $'000
Dental practices	**12,919**	10,501
Less: Accumulated Depreciation	**(5,040)**	(2,575)
	7,879	7,926
Offices	**781**	781
Less: Accumulated Depreciation	**(521)**	(260)
	260	521
Total	**8,139**	8,447

Change in right-of-use assets during the year breakdown as follows:

	Dental practices $'000	Offices $'000	Total $'000
As of 1 July 2020	**7,926**	**521**	**8,447**
Additions	**585**	**-**	**585**
Lease extensions	**2,127**	**-**	**2,127**
Disposals at cost	**(294)**	**-**	**(294)**
Depreciation	**(2,593)**	**(261)**	**(2,854)**
Depreciation write-back on disposal	**128**	**-**	**128**
As of 30 June 2021	**7,879**	**260**	**8,139**

Lease liabilities

Lease liabilities breakdown as follows:

	30 June 2021 $'000	1 July 2020 $'000
Current lease liabilities	**2,885**	2,865
Non-current lease liabilities	**5,670**	6,017
Total	**8,555**	8,882

Change in lease liabilities during the year breakdown as follows:

	Dental practices $'000	Offices $'000	Total $'000
As of 1 July 2020	**8,344**	**538**	**8,882**
Additions	**585**	**-**	**585**
Lease extensions	**2,127**	**-**	**2,127**
Disposals	**(189)**	**-**	**(189)**
Interest expense	**202**	**12**	**214**
Lease repayments	**(2,799)**	**(261)**	**(3,060)**
Rent concessions	**(4)**	**-**	**(4)**
As of 30 June 2021	**8,266**	**289**	**8,555**

Note 17: Leases (continued)

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021 $'000	2020 $'000
Short-term leases	**175**	233

Note 18. Investment property

	Consolidated	
	2021 $'000	2020 $'000
	1,625	1,625

There has been no additions, disposals or change in fair value of investment property during the year. Refer to note 2 for the group's accounting policy for investment property. Additional information regarding the investment property is noted in note 3 and note 34 of the financial statements.

Note 19. Intangible assets

Software	**1,027**	1,435
Less: Accumulated amortisation	**(935)**	(1,261)
	92	174
Goodwill	**31,657**	31,638
Intellectual property	**2,387**	2,387
Less: Accumulated amortisation	**(916)**	(697)
	1,471	1,690
Future maintainable revenue stream	**2,551**	2,544
Less: Accumulated amortisation	**(1,845)**	(1,738)
	706	806
	33,926	34,308

Note 19. Intangible assets (continued)

Reconciliations

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

Consolidated	Software* $'000	Goodwill $'000	Intellectual property* $'000	Future maintainable revenue stream* $'000	Total $'000
Balance at 1 July 2019	299	30,357	1,964	862	33,482
Additions	-	-	-	30	30
Addition from business combinations #	-	1,333	-	-	1,333
Disposals	(6)	-	(3)	-	(9)
Measurement period adjustments	-	(52)	-	-	(52)
Amortisation expense	(119)	-	(271)	(86)	(476)
Balance at 30 June 2020	174	31,638	1,690	806	34,308
Balance at 1 July 2020	**174**	**31,638**	**1,690**	**806**	**34,308**
Additions	**4**	**-**	**-**	**7**	**11**
Addition from business combinations #	**-**	**379**	**-**	**-**	**379**
Disposals	**-**	**(360)**	**-**	**-**	**(360)**
Amortisation expense	**(86)**	**-**	**(219)**	**(107)**	**(412)**
Balance at 30 June 2021	**92**	**31,657**	**1,471**	**706**	**33,926**

*Software, intellectual property and future maintainable revenue stream are separately acquired
Refer to note 33

Impairment tests for goodwill

The total amount of goodwill has been allocated to identifiable CGU's, being geographical regions.

	2021 $'000	2020 $'000
North Queensland	**1,024**	1,009
Central Queensland	**6,554**	6,196
South East Queensland	**19,981**	19,981
New South Wales	**4,098**	4,452
	31,657	31,638

Note 19. Intangible assets (continued)

The recoverable amount of goodwill is based on value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period. Future cash flows are projected over a five-year period and use an implied annual growth rate of 3% (2020: 3%) and are discounted using the group's weighted average cost of capital of 8.3% (2020: 8.3%). Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% (2020: 2%) which does not exceed the long-term average growth rate for the industry in which each CGU operates. Impairment testing was conducted as at 30 April 2021.

The coronavirus pandemic (COVID-19) has had an adverse economic impact within Australia and globally, however it is not possible to accurately determine the future nature, extent or duration of the impact on the group, material or otherwise, at the date of signing the financial statements. The directors of the group have considered the potential impacts of COVID-19 and do not believe that, based on the information currently available, it has a significant impact in the assessment of impairment at balance date.

No impairment losses were recorded in the current year.

Note 20. Deferred tax

	Consolidated	
	2021	**2020**
	$'000	**$'000**
The balance comprises temporary differences attributable to:		
Employee benefits	**285**	289
Accrued expenses	**40**	22
Utilised losses	**8**	41
Leases	**108**	68
Unrecognised exchange losses	**-**	8
Total deferred tax assets	**441**	428
The balance comprises temporary differences attributable to:		
Investment property	**(304)**	(322)
Intellectual property	**(218)**	(225)
Unrealised fair value gain	**(67)**	(20)
Other	**(184)**	(221)
Property, plant and equipment	**(292)**	-
Blackhole expenses	**(88)**	-
Total deferred tax liabilities	**(1,153)**	(788)
Net deferred tax assets/(liabilities)	**(712)**	(360)
Deferred tax assets expected to be recovered within 12 months	**441**	428
Deferred tax assets expected to be recovered after more than 12 months	**-**	-
Deferred tax liabilities expected to be settled within 12 months	**-**	-
Deferred tax liabilities expected to be settled after more than 12 months	**(1,153)**	(788)
	(712)	**(360)**

Note 20. Deferred tax (continued)

	Consolidated 2021 $'000	2020 $'000
Movements in deferred tax:		
Opening balance	**(360)**	(541)
Opening balance adjustment	**-**	66
Credited (charged) to the statement of comprehensive income (note 8)	**(352)**	115
Closing balance	**(712)**	(360)

Note 21. Trade and other payables

	Consolidated 2021 $'000	2020 $'000
Current		
Trade payables	**2,523**	2,343
Sundry payables and accruals	**688**	1,293
Unearned revenue	**289**	429
Other payables	**229**	235
	3,729	4,300
Non-current		
Other payables	**-**	401

Refer to note 26 for detailed information on financial risk management.

Note 22. Provisions

	Consolidated 2021 $'000	2020 $'000
Current		
Provision for employee benefits	**878**	838
Non-current		
Make good provision	**340**	325
Provision for employee benefits	**109**	119
	449	444
Make good provision		
Balance at 1 July	**325**	310
Charged/ (credited) to income statement	**15**	15
Balance at 30 June	**340**	325

Make good provision

1300SMILES Limited is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements.

Note 22. Provisions (continued)

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $878,000 (2020: $838,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Leave obligations expected to be settled after 12 months	**109**	119

Note 23. Other liabilities

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Contingent settlement payable	**174**	1,315
Non-current		
Contingent settlement payable	**186**	260
Contingent settlement payable		
Balance at 1 July	**1,575**	2,225
Additions through business combinations	**100**	-
Settled / (written back) during the year	**(417)**	(100)
Non-cash settlements during the year	**(825)**	-
Derecognised during the year	**(73)**	(550)
Balance at 30 June	**360**	1,575

Note 24. Loans payable

	Consolidated	
	2021 $'000	**2020 $'000**
Non-current		
Loans payable	**13,300**	15,000

The loan payable is a multi-option loan facility agreement with the Commonwealth Bank of Australia. The loan facility was settled on 2 August 2019 with transfer of securities occurring on this date. The details of the loan facility included:

- Total loan facility is for $25 million and a $25 million accordion facility
- Interest terms vary according to the net leverage ratio, with the current rate at 1.89%
- Security for the loan facility consists of first ranking general security interest over all assets and undertakings of 1300SMILES Ltd and 1300SMILES (BOH Dental) Pty Ltd, and a cross guarantee and indemnity between 1300SMILES Ltd and 1300SMILES (BOH Dental) Pty Ltd
- Debt covenants include:
    - Net debt leverage ratio not greater than 2.75x
    - Fixed interest charge cover ratio must not fall below 1.80x
- The termination date of the loan facility is 2 August 2022

Note 24. Loans payable (continued)

For the 12 months ended 30 June 2021, the net leverage ratio and the fixed cover ratio were 0.60x and 6.09x respectively.

Note 25. Contributed equity

	Consolidated			
	2021 Shares	**2020 Shares**	**2021 $'000**	**2020 $'000**
Ordinary shares – fully paid	**23,678,384**	23,678,384	**15,501**	15,501

At 30 June 2021 333,324 (2020: 333,324) shares were held under escrow.

Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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 provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The group does not have any specific capital targets and nor is it subject to any external capital restrictions. The Board and senior management meet monthly and review in detail the current cash position and cash flow forecasts having regard to planned expansions and take the necessary action to ensure sufficient funds are available. The group also ensures it has sufficient reserves available to pay two dividends each year. The Board reviews the group's position before declaring any dividend.

The cash to equity ratios at 30 June 2021 and 30 June 2020 were as follows:

	Consolidated	
	2021 $'000	**2020 $'000**
Cash and cash equivalents		
Net cash	**4,247**	6,681
Total equity		
Total capital	**44,366**	41,133
Cash to equity ratio	**9.6%**	16%

Note 26. Financial risk management

Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group does not use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The Managing Director is responsible for developing and monitoring risk management policy and reports regularly to the Board of Directors on issues and compliance. Risk management policy is to identify and analyse the risks faced by the group, to set limits and controls, and to monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and group activities. The group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Foreign currency risk: The group does not undertake any significant transactions denominated in foreign currency and is not exposed to any significant foreign currency risk through foreign exchange rate fluctuations.

Price risk

The group is not exposed to any significant price risk.

Interest rate risk

The group's main interest rate risk arises from cash and cash equivalents and loans. The group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and investing options and the mix of fixed and variable interest rates. The group is only exposed to interest rate risk on cash and cash equivalents and the loans payable at 30 June 2021. As at the reporting date, the following assets and liabilities were exposed to Australian variable and fixed interest rates:

Consolidated	Weighted Average interest rate %	2021 $'000	Weighted average interest rate %	2020 $'000
Variable interest				
Cash and cash equivalents	**0.13%**	**4,247**	0.53%	6,681
Loan payable	**1.91%**	**(13,300)**	2.07%	(15,000)
Fixed interest				
Share loans	**3.5%**	**1,810**	5.03%	2,117
Other loans receivable		**-**	5.00%	219
Loans receivable	**9.76%**	**6,500**	11.67%	3,000
Net exposure to cash flow interest rate risk		**(743)**		(2,983)

Note 26. Financial risk management (continued)

A movement in interest rates of 1.0% (2020: 1.0%) would have an (adverse)/favourable effect on profit before tax of ($7,430) (2020: ($29,830)) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The entity's exposure to risk is minimised due to most clients paying for their services up front. The group monitors and follows-up its accounts receivable to ensure collections are being made promptly in accordance with contractual terms and conditions and actively pursues amounts past due. Where applicable, an allowance for impairment is made, that represents the estimate of incurred losses in respect to trade and other receivables.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

Credit risk is continually reviewed and managed to reduce the incidence of material losses being incurred by the non-receipt of monies due. Management considers the credit and default risks attached to the share loans and loans receivable to be minimal.

With respect to share loans the group may at any time, by written notice, call on the borrower to repay all or part of the outstanding amount within 13 months after the company makes a call. Where applicable, if an employee ceases to be employed by the company, the money owing will become payable on the date which is three (3) months after the date on which the employment ceases, if the employment ceases after the probationary period. A lien will remain effective after escrow has been removed on the proportionate percentage of the total shares subject to the loan outstanding. $1,499,000 (2020: 1,451,000) of the share loans are receivable from two parties comprising external consultants of the group.

The group limits its cash investment risk exposure on cash investments by investing in a variety of Australian deposit taking institutions.

Liquidity risk

Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Further analysis of the group's current cash to equity ratio is disclosed in note 25 of these accounts.

Note 26. Financial risk management (continued)

Remaining contractual maturities

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 statement of financial position.

Consolidated	Weighted Average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Balance at 30 June 2020						
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	2,343	-	-	-	2,343
Sundry payables and accruals	-	1,293	-	-	-	1,293
Other liabilities	-	1,315	260	-	-	1,575
Other payables	-	321	143	172	-	636
Interest bearing						
Loans payable*	2.07%	-	-	15,000	-	15,000
Lease Liability	2.81%	2,865	2,494	3,134	389	8,882
Total non-derivatives		8,137	2,897	18,306	389	29,729
Balance at 30 June 2021						
Non-derivatives						
Non-interest bearing						
Trade and other payables	**-**	**2,523**	**-**	**-**	**-**	**2,523**
Sundry payables and accruals	**-**	**917**	**-**	**-**	**-**	**917**
Other liabilities	**-**	**174**	**186**	**-**	**-**	**360**
Other payables	**-**	**289**	**-**	**-**	**-**	**289**
Interest bearing						
Loans payable*	**1.91%**	**-**	**13,300**	**-**	**-**	**13,300**
Lease Liability	**1.91%**	**2,885**	**2,036**	**3,040**	**594**	**8,555**
Total non-derivatives		**6,788**	**15,522**	**3,040**	**594**	**25,944**

* as described in note 24, the loan facility has a termination date of 2 August 2022

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

Fair value

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings and contingent consideration approximates the carrying amount.

Note 27. Key management personnel disclosures

Compensation

	Consolidated 2021 $'000	Consolidated 2020 $'000
Short-term employee benefits	**379**	368
Post-employment benefits	**36**	30
	415	398

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 15.

Shareholdings

The number of shares in the parent entity held during the financial year by each Director and other members of key management personnel of the group, including their personally related parties, is set out in the remuneration report.

Related party transactions

Transactions with related entities of the key management personnel are set out in note 31.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the company, and their related practices:

	Consolidated 2021 $'000	Consolidated 2020 $'000
(i) Audit and other assurance services		
Audit and review of financial statements – PKF Brisbane Audit	**86**	94
(ii) Taxation services		
Tax compliance services – PKF Brisbane	**31**	24
Total remuneration	**117**	118

Note 29. Contingent liabilities

The group had total facilities of $1,018,000 (2020: $1,153,000) with $840,000 used at reporting date (2020: $991,000) in respect of property guarantees.

Note 30. Commitments

Lease commitments – finance

As at 30 June 2021 and 30 June 2020 there were no commitments in relation to finance leases payable.

Other commitments

The group did not have any other contractual commitments for the acquisition of property, plant or equipment as at 30 June 2021 and 30 June 2020.

Note 31. Related party transactions

Parent entity

1300SMILES Limited is the parent entity.
The ultimate controlling entity is Dr Daryl Holmes who has a 62.13% (2020: 62.13%) interest in 1300SMILES Limited.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021 $'000	**2020 $'000**
Received for goods and services:		
Dental management services*	**67**	45
Payment for other expenses:		
Rental expense paid to related parties**	**691**	498

*The company received revenue of $67,149 (2020: $45,283) for dental management services from Golden Arch (Qld) Pty Ltd for services provided under a Dental Service Agreement.
**The group is party to the following agreements on normal commercial terms and conditions with the Managing Director, Dr Daryl Shane Holmes, or entities related to Dr Holmes: (1) Golden Arch Pty Limited ATF the Whistler Trust provides rental premises to an amount of $425,043 (2020: $298,662) (2) Ashbourne Park Pty Limited ATF Daryl Holmes Superannuation Fund provides rental and storage premises to an amount of $155,941 (2020: $113,659). (3) Three Islands Pty Ltd provides rental premises to an amount of $109,702 (2020: $86,089).

Included in lease liabilities is $912,579 committed to Golden Arch Pty Ltd over a period of 4 years, and $389,369 committed to Three Island Pty Ltd over a period of 5 years, and $688,708 committed to Ashbourne Park Pty Limited over a period of 4 years.

Loans to/from related parties

There were no loans to or from related parties at the reporting date other than the share loan of $229,521 to Natalie Duve, a KMP employee.

Note 31. Related party transactions (continued)

Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Summary financial information

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

	Consolidated	
	2021	2020
	$'000	$'000
Balance Sheet		
Current assets	**6,845**	9,955
Total assets	**72,523**	74,517
Current liabilities	**7,420**	9,934
Total liabilities	**27,534**	31,853
Contributed equity	**15,501**	15,501
Retained earnings	**29,488**	27,163
	44,989	42,664
Profit or loss for the year (after tax)	**8,736**	7,269
Total comprehensive income	**8,736**	7,269

Guarantees entered into by the parent entity

The parent entity did not enter into guarantees in respect of bank loans or loans of subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities of the parent entity

The group had total facilities of $1,018,000 (2020: $1,153,000) with $840,000 used at reporting date (2020: $991,000) in respect of property guarantees.

Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any other contractual commitments for the acquisition of property, plant or equipment as at 30 June 2021 and 30 June 2020.

Note 33. Business combinations

During the year, the group acquired one practice.

The group acquired one dental practice, Bundaberg Central Point, in Bundaberg (Queensland) on 7 December 2020.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Bundaberg Central Point $'000
Purchase consideration:	
Cash paid	**468**
Contingent consideration	**100**
Total purchase consideration	**568**

	Bundaberg Central Point $'000
Property, plant and equipment	**189**
Goodwill – provisional	**379**
Net assets acquired	**568**

No separate identifiable intangible assets were identified in the business combination. At the end of the current year there have been no adjustments to this balance of goodwill.

Acquisition-related costs

During the current year there are $5,093 (2020: $12,605) acquisition-related costs that are included in operating expenses in profit or loss and in operating cash flows in the statement of cash flows.

Note 34. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the financial instruments and investment property that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

AASB13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Note 34. Fair value measurement (continued)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the group's financial assets, investment property and financial liabilities measured and recognised at fair value at 30 June 2021 and 30 June 2020 on a recurring basis.

		Consolidated	
		Level 1	Level 1
		2021	2020
	Note	$'000	$'000
Financial assets			
Financial assets – investments	15	**445**	259

		Consolidated	
		Level 2	Level 2
		2021	2020
	Note	$'000	$'000
Other assets			
Investment property	18	**1,625**	1,625

		Consolidated	
		Level 3	Level 3
		2021	2020
	Note	$'000	$'000
Other liabilities			
Contingent consideration payable	23	**360**	1,575

There were no transfers between levels 1, 2 or 3 for recurring fair value measurements during the year. The group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2021.

Financial assets – investments are a level 1 financial instrument, which arose from the purchase of shares of two similar companies in the dental industry.

The investment property is a level 2 fair value asset which arose from the initial acquisition and revaluation of 361 Flinders Street, Townsville. Judgement was involved in the determination of the fair value attributed to the portion of 361 Flinders Street, Townsville which related to investment property as opposed to the owner-occupied portion. Management used rental returns and the original premises acquisition cost as evidence in allocating the fair value.

The contingent consideration liability is a level 3 financial instrument, which arose from the acquisition of the orthodontic dental practices in New South Wales and more recently the acquisition of the dental practice (Bundaberg Central Point) in Bundaberg (Queensland). Expected cash flows are estimated on the terms of the sale contract (see note 33) and the group's knowledge of the business and how the current economic environment is likely to impact it. The fair value of contingent consideration payable is analysed at the end of each reporting period.

Note 35. 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 of entity	Country of incorporation	Equity holding 2021 %	Equity holding 2020 %
1300SMILES (BOH Dental) Pty Ltd	Australia	**100**	100
1300SMILES (Springfield Lakes) Pty Ltd	Australia	**100**	100
Plaza Central Dentists Pty Ltd	Australia	**100**	100

Note 36. Cash flow information

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax expense for the year	**9,626**	7,145
Adjustments for:		
(Gain) / Loss on sale – fixed assets	**108**	(897)
Derecognition of other payables	**(478)**	-
Business development costs	**18**	115
Fair value gain on financial assets	**(186)**	(73)
Interest on lease liabilities	**214**	277
Rent concessions	**(4)**	(229)
Depreciation and amortisation	**5,236**	5,507
Derecognition of contingent consideration	**(73)**	-
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**640**	(358)
(Increase) / decrease in other assets	**354**	(562)
Increase / (decrease) in trade and other payables	**(971)**	340
Increase / (decrease) in deferred tax liabilities	**(352)**	(181)
Increase / (decrease) in current tax payable	**(801)**	1,293
Increase / (decrease) in other provisions	**44**	207
Net cash inflows from operating activities	**13,375**	12,584

Note 36. Cash Flow Information (continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net debt		
Cash and cash equivalents	**4,247**	6,681
Liquid investments	**445**	259
Leases – repayable within one year	**(2,885)**	(2,865)
Leases – repayable after one year	**(5,671)**	(6,017)
Borrowings – repayable after one year	**(13,300)**	(15,000)
	(17,164)	(16,942)
Cash and liquid investments	**4,692**	6,940
Gross debt – variable interest rate	**(21,856)**	(23,882)
Net debt	**(17,164)**	(16,942)

	Cash and cash equivalents $'000	Liquid investments $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Leases due within 1 year $'000	Leases due after 1 year $'000	Total $'000
Net debt as at 30 June 2020	**6,681**	**259**	-	**(15,000)**	**(2,865)**	**(6,017)**	**(16,942)**
Cash flows	(2,434)	-	-	1,700	3,060	-	2,326
Other non-cash movements	-	186	-	-	(3,080)	346	(2,548)
Net debt as at 30 June 2021	**4,247**	**445**	**-**	**(13,300)**	**(2,885)**	**(5,671)**	**(17,164)**

Note 37. Subsequent events

As an event subsequent, 1300SMILES Limited has reached agreement with Abano Healthcare Ltd to propose for consideration of our shareholders of an acquisition of the company by way of a Scheme of Arrangement. Details of the proposed acquisition is contained in a separate announcement released on the ASX.

Given the terms of the proposal, the company has determined that it will not declare a Final dividend for FY'21. The company intends to declare a fully franked Special Dividend prior to the implementation of the Scheme, which will enable shareholders to realise additional benefits of the Company's available franking credits.

On the 1st of July 2021, the company successfully purchased a dental practice in Chinchilla (Queensland) and is currently in the processes of acquiring another practice in Bundaberg (Queensland).

Note 37. Subsequent events (continued)

Apart from the matters mentioned above, no other matter or circumstance has arisen since 30 June 2021 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.

Directors' declaration

30 June 2021

In the Directors' opinion:

a) the financial statements and notes set out on pages 21 to 62 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 2021 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.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Managing Director and finance team leader as required by section 295A of the *Corporations Act 2001*.

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

Dr Daryl Holmes OBE
Managing Director

Townsville
24 August 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 1300SMILES LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of 1300SMILES Limited (the company), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of 1300SMILES Limited is in accordance with the *Corporations Act 2001*, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PKF Brisbane Audit ABN 33 873 151 348
Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733
Brisbane | Rockhampton www .pkf.com.au

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. These matters 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 these matters. For each matter below, our description of how our audit addressed these matters is provided in that context.

1. Carrying amount of intangible assets - goodwill

Why significant

As at 30 June 2021 the carrying value of goodwill is $31,657,257 (2020: $31,638,480), as disclosed in Note 19.

The consolidated entity's accounting policy in respect of goodwill is outlined in Note 2.

Goodwill is recognised on the acquisition of practices.

The carrying amount of intangible assets - goodwill is a key audit matter due to:

- the significance of the balance (being 44% of total assets); and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 3 and 19, management assessed the carrying amount of goodwill through impairment testing utilising a value in use model in which significant judgements are applied in determining key assumptions. These assumptions include the assessment of future earnings before interest and tax growth expected to be achieved, as well as the weighted average cost of capital. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of goodwill, and accordingly the amount of any impairment charge, to be recorded in the current financial year.

How our audit addressed the key audit matter

In assessing this key audit matter, we involved senior audit team members who understand the dental services industry.

Our audit procedures included, amongst others:

- evaluating management's methodology for determining the carrying amount of intangible assets by comparing the value in use model with generally accepted valuation methodology and accounting standard requirements;
- conducting sensitivity analysis on key assumptions such as the weighted average cost of capital (WACC) and growth rates, within reasonable foreseeable ranges, in which we found that the value in use remained in excess of the carrying value of net assets of each cash-generating unit ('CGU');
- challenging the key assumptions used in management's value in use model by:
  - assessing growth rates set by management in comparison to historical results
  - evaluating the WACC rate set by management in comparison to market and industry information available
  - assessing the impact of the COVID-19 pandemic on all key assumptions
- assessing the appropriateness of changes made during the year by management of key assumptions being a reduction in growth rates and the WACC; and
- assessing the appropriateness of the related disclosures in Note 19.

2. Business combination – including allocation of goodwill

Why significant	How our audit addressed the key audit matter
During the year, the consolidated entity acquired the following dental practice: • Bundaberg Central Point As disclosed in Note 33, as part of the business combination transactions, the consolidated entity recognised provisional goodwill of $378,777. As disclosed in Note 37, the consolidated entity also acquired a dental practice in Chinchilla on 1 July 2021 which was disclosed as a subsequent event. Business combination – including allocation of goodwill is a key audit matter due to: • the significant audit effort required to test the consolidated entity's practice acquisition during the year; and • the level of judgement applied in evaluating management's assessment of goodwill allocated in the purchase.	In assessing this key audit matter our work included, but was not limited to, the following procedures: • review of purchase documentation including contracts and business sale agreement; • obtaining a detailed understanding of the acquired practice; • assessing the appropriateness of the valuation methodology of the assets acquired; • reviewing management's fair value assessment of the assets and liabilities acquired; • reviewing management's assessment of the fair value of the consideration paid and any recognition of any deferred consideration upon the acquisition date; • reviewing management's assessment of whether any specific identifiable intangible assets were identified as part of the practice acquisition; • assessment of management's goodwill allocation as part of the practice acquisition; and • assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 2, 19 & 33.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 and 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 and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 1300SMILES Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

PKF BRISBANE AUDIT

TIM FOLLETT
PARTNER

24 AUGUST 2021
BRISBANE, AUSTRALIA

Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 30 June 2021.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	797
1,001 to 5,000	480
5,001 to 10,000	110
10,001 to 50,000	93
50,001 to 100,000	7
100,001 and over	10
	1,497
Holding less than a marketable parcel	-

Equity security holders

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

	Number held	Ordinary shares % of total shares issued
Dr Daryl Holmes	14,116,837	59.62%
JP Morgan Nominees Australia Ltd	1,573,360	6.64%
Evelin Investments Pty Ltd	980,000	4.14%
Ashbourne Park Pty Ltd	550,702	2.33%
Dr Russell Kay Hancock	500,000	2.11%
Citicorp Nominees Pty Ltd	468,176	1.98%
Upper Avalon Pty Ltd	294,000	1.24%
HSBC Custody Nominees	184,222	0.78%
Mr Kevin John Holmes + Mrs Janita Dawn Holmes	175,633	0.74%
BNP Paribas Nominees Pty Ltd	164,764	0.70%
Gang-Gang Pty Ltd	78,875	0.33%
Mr Kent Gush	72,031	0.30%
Mr Bradley John Holmes + Mrs Seiko Holmes	71,932	0.30%
Mr Nicholas Mole	60,000	0.25%
Nigel's Investments Pty Ltd	58,339	0.25%
Mr David Solomons	57,306	0.24%
ANCAM Pty Ltd	50,000	0.21%
Saint Daniele Pty Ltd	47,219	0.20%
Mr Keith Sorrentino	45,390	0.19%
Easy Investing Pty Ltd	45,000	0.19%
	19,593,996	82.75%

There are no unquoted equity securities.

Shareholder information

30 June 2021

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
Dr Daryl Holmes*	14,711,729	62.13%

*Dr Daryl Holmes shareholding is held in his personal name and in the name of other related parties

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Shares held under voluntary escrow, by escrow expiry date, comprise:

	2021	2022	2023	2024	2025
January	-	-	-	-	-
February	-	-	-	-	-
March	-	-	-	-	-
April	-	-	-	-	-
May	-	-	-	-	-
June	2,170	2,170	2,170	2,169	-
July	-	-	-	-	-
August	-	-	-	-	-
September	64,929	64,929	64,929	64,929	64,929
October	-	-	-	-	-
November	-	-	-	-	-
December	-	-	-	-	-
Annual total	67,099	67,099	67,099	67,098	64,929
Overall total					333,324

Corporate directory

Directors

Robert Jones, Chairman
Dr Daryl Holmes, Managing Director
Jason Smith, Non-Executive Director

Company secretary

Patrick Wyatt

Registered office and principal business office

1300SMILES Limited
Ground Floor
105 Denham Street
Townsville QLD 4810
T: + 61 7 4720 1300
F: + 61 7 4771 5217
W: www.1300SMILES.com.au

Auditor

PKF Brisbane Audit
Level 6, 10 Eagle Street
GPO Box 1568
Brisbane QLD 4000

Country of incorporation

Australia

Stock exchange listing

Australian Securities Exchange Limited
ASX Code: ONT

Australian business number (ABN)

91 094 508 166

Share register

Computershare Limited
117 Victoria Street
West End QLD 4001
W: www.computershare.com/au

Legal advisers

Thomson Geer Lawyers
Level 28 Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Private Legal Pty Ltd
PO Box 2354
Townsville QLD 4810

Wilson Ryan Grose Lawyers
51 Sturt Street
Townsville QLD 4810

1300 SMILES Dentists

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