

# Appendix 4D

## Half yearly report

Introduced 1/1/2003.

Name of entity

**1300SMILES Limited**

ABN or equivalent company reference

91 094 508 166

Half year ended  
(‘current reporting period’)

31 December 2010

‘Previous corresponding period’

31 December 2009

### Results for announcement to the market

\$A'000

Revenues from ordinary activities	Up	25%	To	14,569
Profit from ordinary activities after tax attributable to members	Up	19%	To	2,687
Net profit for the period attributable to members	Up	19%	To	2,687

#### Dividends

The company has declared a fully franked interim dividend of 7.5 cents per share in relation to the half-year ended 31 December 2010.

Confirmation of the Interim Dividend details:

- Dividend amount per security 7.5 cents
- Franked amount per security 100%
- Date Interim Dividend declared 21 February 2011
- Date that the shares (ASX code : ONT) will trade ex-dividend 3 March 2011
- Record Date for determining entitlement to dividend 9 March 2011
- Payment Date 24 March 2011

#### NTA backing

Net tangible asset backing per ordinary security

Current period	Previous corresponding period
17.5 cents	7.8 cents

**1300** **S**<sub>7</sub> **M**<sub>6</sub> **I**<sub>4</sub> **L**<sub>5</sub> **E**<sub>3</sub> **S**<sub>7</sub>  
**DENTISTS**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**



## LETTER FROM THE MANAGING DIRECTOR

Dear Shareholder,

I am pleased to present to you our results for the half-year ended 31 December 2010.

### First half-year results

Compared to the first half results from the previous year, the results for the six months to December 2010 were as follows:

- Revenue up 25% to \$14.5 million
- NPAT up 19% to \$2.7 million
- Earnings Per Share up 14% to 12.6c
- Cashflow from operations up 31%
- First half fully franked dividend up 15% to 7.5c per share
- Profit before tax up 16% to \$3.6 million
- EBITDA up 21% to \$4.5 million
- Interest coverage 56 times on 34% gearing

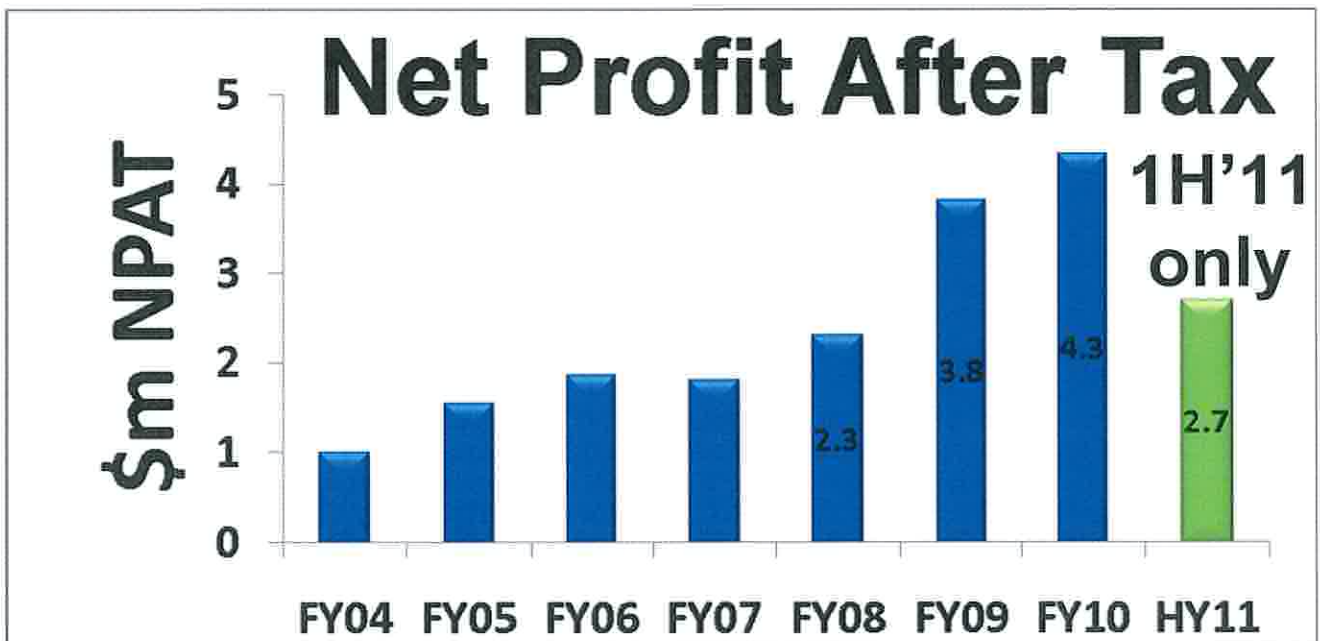
The results summarised above demonstrate that 1300SMILES has continued on the growth trajectory which it maintained through and beyond the global financial crisis of 2008 and 2009.

### Comments on the financial results

Our revenue for the first half increased by 25% on the previous year's first half. As discussed in previous reports, our top-line revenue differs from the total fees which patients pay for dental services, because self-employed dentists within the 1300SMILES system keep that portion of revenue which is greater than the fees paid by them to the company for the use of our facilities and services. Fees paid by patients is a more accurate indicator of our true over-the-counter revenue growth, and that growth was 20%.

As a result of the new modern awards, which mainly took effect on 1 July 2010, our employee benefits expense increased sharply. This constrained the growth in our Net Profit After Tax (NPAT) to 19%--a good result, but not quite as good as we would hope for given the solid growth in half-year revenue.

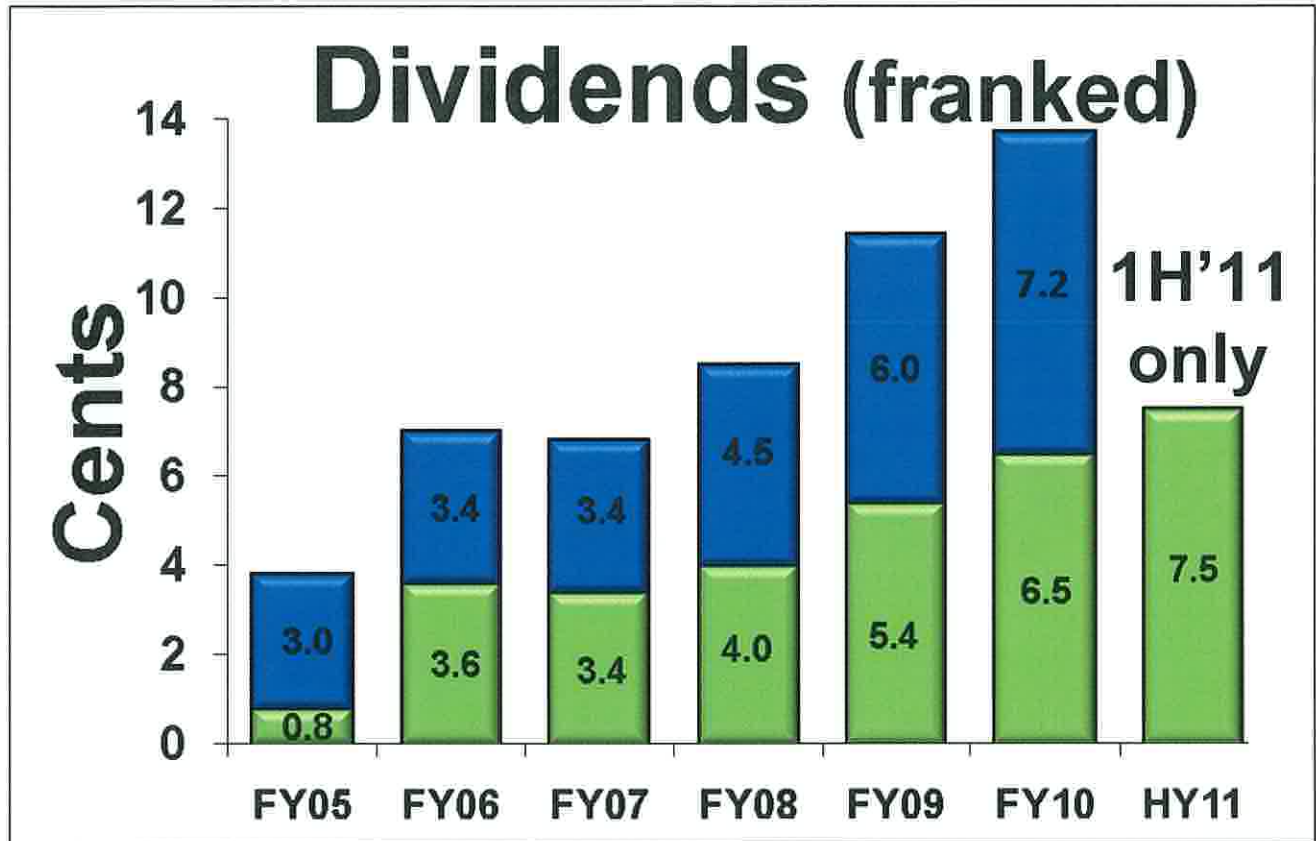
In response to the new award conditions we have implemented a number of changes to our staff rostering practices. We're still in the process of improving our rostering to deal with the new circumstances and we believe that we have further scope to improve the efficiency of our staffing while continuing to deliver the excellent service levels expected by our patients and dentists.





### Earnings Per Share and Dividends

Earnings Per Share (EPS) grew by 14.2% over that of the 2010 first half. We believe that this is sustainable, solid growth and we are therefore happy to increase the first half dividend by about the same amount, up 15% to 7.5c per share. We do so because one of our core commitments to shareholders is that owning shares in 1300SMILES should feel much the same as direct ownership of a company operating in our industry.



### Weather events

Having weathered the GFC, we now face the effects of the real weather events of January and February 2011: first the widespread flooding in the southern parts of Queensland and then Cyclone Yasi, which cut a wide swathe across north Queensland. Eighteen of our twenty one practices, along with our head office in Townsville, were affected by these two events, with electricity supply and physical access being the greatest problems.

I am extremely pleased to report that despite these disruptions, preliminary results show that our January revenue has continued the strong trend of the first half of the year, with January 2011 results well ahead of those of January 2010. While a number of practices were closed for relatively short periods, we have managed to deliver critical dental services through a flexible response to adversity.

As soon as it was possible to resume operations, several of our practices began operating on extended schedules, staying open up to seven days a week and offering extended hours. I can assure you that after a week of having no dental services available, even small towns will have a number of urgent or emergency requirements, and I am proud that 1300SMILES has been in the front line providing these essential services. Within a few days of the floods in the south and the cyclone in the north, all of our facilities were back in operation.

Over the past few years our business has been tested in many ways. Our business has proved equal to these tests thanks to a combination of prompt and appropriate initiatives at all weather-affected practices, good risk management, and proven systems and procedures. I'd rather not see another spell like early 2011, but I take comfort from the way we managed to deliver services to our patients and our dentists, and results to our shareholders, during this challenging time.



### **Bray Park acquisition**

In October 2010 we completed the acquisition of the Bray Park Dental Practice in the Kensington Village Shopping Centre in suburban Brisbane. The Bray Park practice is located 7 kilometers north of the 1300SMILES practice at Carseldine. Comparably small distances separate the company's facilities at Tingalpa, Carindale, and Springwood. To the north, the 1300SMILES Caloundra practice is only 70km away. Our presence in Bray Park helps add to our strategic corridor of practices in southeast Queensland. The practice has performed very well since then.

### **New opportunities**

We have for some time pointed to the management of practices not owned by 1300SMILES as one of several drivers for future growth of the company. We have recently granted a licence to a marketing and management company, allowing it to market, manage and operate four of our southeast Queensland-based practices. We retain ownership of the practices involved.

This transaction has had a positive impact on our first half profit result, and should do the same in the second half.

This new approach may seem like a different direction for us. I emphasise that we are always open to opportunities which we believe will increase shareholder value. We especially like arrangements, such as this one, which allow us to simultaneously lock in some profit, further improve our access to capital, reduce downside risk, and free up our management staff to focus on our core objectives.

### **Availability, accessibility, affordability**

Governments at all levels are struggling with the need to make dental care more widely available. 1300SMILES works with governments and other institutions wherever it makes sense to do so.

*Available*--we offer flexible and extended hours wherever and whenever we can.

*Accessible*--with twenty one multi-dentist practices we have the ability to deliver services over a broad geographical range to a very large number of people.

*Affordable*--we work with a number of major health funds while allowing each of our dentists the option of choosing whether to do health fund work or not as preferred providers. Services are available to health fund members at every one of our twenty one practices. We also participate in those ventures which seek to make dentistry broadly available and affordable, such as Medicare's Teen Dental Plan and Chronic Disease Dental Scheme, the Department of Veterans' Affairs dental arrangements, as well as the Queensland Government's Oral Health Services emergency voucher programmes. Our scale and reach make it practical for us to participate in such sensible government initiatives.

### **Outlook**

Our objectives going forward are the same as they have been for some years: we aim to deliver increased revenue, profit, and dividends by doing what we do best:

--organic growth: assisting our dentists to increase their turnover and attracting additional dentists to our established facilities

--acquisition: buying established practices where we can do so on suitable terms

--greenfields: establishing new dental practices both in regions where we have an established presence and in areas not yet served by 1300SMILES

--management: managing professional facilities not owned by 1300SMILES Ltd

We know from experience that we can deliver steady progress via organic growth. The other sources of growth are variable, and we will take excellent opportunities as and when they present themselves. We are patient and we do not pursue acquisitions for their own sake. We will commit our capital and our management time only to those situations which lead directly and quickly to increased earnings per share.

As a policy we do not forecast results, but we do expect to continue to deliver sustainable growth throughout 2011.



# 1300SMILES DENTISTS

## **YWAM Medical Ship**

In September, I had the great privilege, along with several staff members and other dentists, of joining the Youth With A Mission Medical Ship in Papua New Guinea, on a voluntary, humanitarian basis. During our visit we carried out hundreds of dental procedures, most of them urgent. I was humbled and overwhelmed by the gratitude expressed by our patients there and amazed by the dedication, courage, and effectiveness of the Medical Ship crew, all of whom are volunteers.

This was one of the most rewarding experiences of my life and I encourage other dentists and our staff members to take up this opportunity. Our website has a link to the YWAM Medical Ship's site and I would encourage you to have a look.

## **Market presence**

1300SMILES Ltd has twenty one established multi-dentist facilities in Cairns, Townsville, Mackay, Rockhampton, Gladstone, Bundaberg, Caloundra, Brisbane, Toowoomba, and Tweed Heads.

## **Thank you**

As always, we thank you, our shareholders, for your support, and we thank our hard-working employees and the growing number of dentists who choose to conduct their practices in our facilities.

Yours faithfully,

Dr Daryl Holmes  
Managing Director



## **ABOUT 1300SMILES LTD**

### **OVERVIEW OF THE COMPANY'S BUSINESS**

The company provides the use of dental facilities and dental, management and other services to self employed dentists who carry on their own dental practices. The company provides surgery facilities at twenty one sites serving the ten major population centres in Queensland. The head administrative office is in Townsville.

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.

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 interest 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 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 the number of dentists who use the company's existing facilities.
- Assisting the dentists who use the company's facilities to increase their turnover.
- Acquiring and managing additional practices in existing and new regions.
- Establishing new practices in existing and new regions.

### **DENTIST ENQUIRIES**

Owners of dental practices who are interested in unlocking the goodwill value of their businesses are invited to contact Dr. Daryl Holmes, Managing Director, on 07 4721 1238 or on [md@1300SMILES.com.au](mailto:md@1300SMILES.com.au).

Qualified dentists who wish to know more about joining one of our established facilities are also encouraged to contact Dr. Holmes directly, or email [dentistrecruitment@1300SMILES.com.au](mailto:dentistrecruitment@1300SMILES.com.au) or visit our websites [www.1300SMILES.com.au](http://www.1300SMILES.com.au) and [www.dentalcareersaustralia.com.au](http://www.dentalcareersaustralia.com.au).



# 1300SMILES DENTISTS

## DIRECTORS' REPORT

The directors present their report together with the financial statements of 1300SMILES Limited and its subsidiary for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names of the directors in office at any time during or since the end of half-year are:

Robert Jones	Chairman
Dr Daryl Holmes	Managing Director
William Bass	Non-Executive Director

### Result

Detailed comments on the profit after tax of \$2.69 million are included in the letter from the Managing Director.

### PRINCIPAL ACTIVITIES

During the half-year the principal continuing activity of the company was to provide dental and management services in Australia.

### DIVIDENDS

Dividends paid to or declared by the company to the members since the end of the previous financial year are:

Final ordinary dividend in relation to the year ended 30 June 2010 of 7.2 cents (2009: 6.0 cents) per fully paid share paid on 14 October 2010.	\$1,528,593
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Interim ordinary dividend in relation to the half-year ended 31 December 2010 of 7.5 cents (2009: 6.5 cents) declared per fully paid share on 21 February 2011.	\$1,598,066
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### AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

### ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (unless otherwise stated) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of directors.

On behalf of the Directors

**Daryl Holmes**  
Director  
Townsville  
21 February 2011





Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
www.bdo.com.au

Level 18, 300 Queen St  
Brisbane QLD 4000,  
GPO Box 457 Brisbane QLD 4001  
Australia

**DECLARATION OF INDEPENDENCE BY ANTHONY J WHYTE TO THE DIRECTORS OF 1300SMILES LIMITED**

As lead auditor of 1300SMILES Limited for the half year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of 1300SMILES Limited and the entities it controlled during the period.

**Anthony J Whyte**  
Director

**BDO Audit (QLD) Pty Ltd**

Brisbane, 21 February 2011



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Note	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2009 \$'000
<b>Revenue</b>	<b>14,569</b>	11,601
Direct cost of sales	(1,986)	(1,588)
Employee benefits expense	(6,160)	(4,751)
Depreciation and amortisation expense	(589)	(467)
Property expenses	(786)	(654)
Operating expenses	(997)	(800)
Corporate and administration expenses	(164)	(123)
Finance costs	(264)	(97)
<b>Profit before income tax</b>	<b>3,623</b>	3,121
Income tax expense	(936)	(865)
<b>Profit after income tax</b>	<b>2,687</b>	2,256
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>2,687</b>	2,256
<b>Earnings per share</b>	<b>Cents</b>	Cents
Basic and diluted earnings per share	12.61	10.84

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31 December 2010	30 June 2010
		\$'000	\$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,515	4,955
Trade and other receivables		1,942	1,610
Other current assets		480	268
<b>TOTAL CURRENT ASSETS</b>		<b>6,937</b>	<b>6,833</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,488	6,201
Intangible assets	6	10,667	9,708
Investments		10	10
Trade and other receivables		1,616	1,861
Deferred tax asset		290	246
Other non current assets		32	32
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,103</b>	<b>18,058</b>
<b>TOTAL ASSETS</b>		<b>27,040</b>	<b>24,891</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,900	2,808
Current tax liabilities		390	777
Financial liabilities		789	843
Other liabilities		833	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,912</b>	<b>4,428</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		49	48
Financial liabilities		7,403	7,402
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>7,452</b>	<b>7,450</b>
<b>TOTAL LIABILITIES</b>		<b>12,364</b>	<b>11,878</b>
<b>NET ASSETS</b>		<b>14,676</b>	<b>13,013</b>
<b>EQUITY</b>			
Share capital	8	7,347	6,842
Retained earnings		7,329	6,171
<b>TOTAL EQUITY</b>		<b>14,676</b>	<b>13,013</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



# 1300SMILES DENTISTS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

2010	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2010	6,842	6,171	13,013
Net profit for the half year	-	2,687	2,687
Shares issued	508	-	508
Share issue costs	(3)	-	(3)
Dividends recognised during the half-year	-	(1,529)	(1,529)
Balance at 31 December 2010	7,347	7,329	14,676

2009	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2009	4,770	4,438	9,208
Net profit for the half year	-	2,256	2,256
Shares issued in a business combination	248	-	248
Dividends recognised during the half-year	-	(1,226)	(1,226)
Balance at 31 December 2009	5,018	5,468	10,486

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



**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half year ended 31 December 2010	Half year ended 31 December 2009
Note	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of goods and services tax)	14,724	11,810
Payments to suppliers and employees (inclusive of goods and services tax)	(9,983)	(8,546)
Interest received	265	23
Interest and other costs of finance paid	(261)	(97)
Income tax paid	(1,368)	(695)
GST paid	(141)	(30)
<b>Net cash flows from operating activities</b>	<b>3,236</b>	<b>2,465</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(1,576)	(320)
Payment for the purchase of dental practices	7 (1,094)	(540)
Repayment of share loan	245	-
<b>Net cash flows used in investing activities</b>	<b>(2,425)</b>	<b>(860)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(21)	(1,311)
Proceeds from share issue	302	-
Payment for costs associated with share issue	(3)	(2)
Dividends paid	5 (1,529)	(1,226)
<b>Net cash flows used in financing activities</b>	<b>(1,251)</b>	<b>(2,539)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(440)</b>	<b>(935)</b>
Cash and cash equivalents at beginning of the period	4,955	1,807
<b>Cash and cash equivalents at the end of the period</b>	<b>4,515</b>	<b>872</b>

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



**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 1: Significant accounting policies**

**Statement of compliance**

The half-year financial statements are a general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial statements do not include notes of the type normally included in an annual financial statements and should be read in conjunction with the most recent annual financial report and any public announcements made by 1300SMILES Limited (the company) during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

**Basis of preparation**

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the half-year financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the company's 2010 annual financial statements. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these new and revised standards and interpretations did not have any material financial impact on the amounts recognised in the financial statements of the company for the current or prior periods.

**NOTE 2: SUBSEQUENT EVENTS**

A fully franked interim dividend of 7.5 cents per share has been declared and is payable in March 2011.

Other than the event mentioned above, there have been no events since 31 December 2010 that impact upon the interim financial report for the half-year ended 31 December 2010.

**NOTE 3: CONTINGENCIES AND COMMITMENTS**

There were no changes in the contingent liabilities or contingent assets since the end of the last annual reporting period.



# 1300SMILES DENTISTS

## NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

### NOTE 4: OPERATING SEGMENTS

Operating segments are determined on the basis of financial and other information reported to the board (chief operating decision makers) by management, which is then used to review overall performance and to assist in determining the appropriate allocation of resources.

Accordingly, management currently identifies the company as having only one reportable segment, being the provision of dental and management services. There have been no changes in the operating segments during the half-year. Accordingly, all significant operating decisions are based upon analysis of the group as one segment. The financial results from this segment are equivalent to the financial statements of the company as a whole.

### NOTE 5: DIVIDENDS

	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2009 \$'000
<b>Dividends declared and paid</b>	1,529	1,226
Fully franked final dividend of 7.2 cents (2009 = 6.0 cents) for the year ended 30 June 2010 paid 14 October 2010		
<b>Dividends declared</b>	1,598	1,328
On 21 February 2011 the company declared a fully franked interim dividend of 7.5 cents (2009 = 6.5 cents) for the half-year ended 31 December 2010 payable in March 2011		

### NOTE 6: INTANGIBLE ASSETS

	31 December 2010 \$'000	30 June 2010 \$'000
<b>Goodwill at cost</b>	10,999	9,708
<b>Movements during the period</b>		
Opening balance	9,708	7,986
Contingent consideration payable	-	1,579
Acquisitions through business combinations	959	143
Closing balance	10,667	9,708



**1300SMILES**  
**DENTISTS**

**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 7: BUSINESS COMBINATIONS**

**2010**

On the 8<sup>th</sup> of October 2010 the company acquired the Bray Park practice which is situated in the northern suburbs of Brisbane.

As of the reporting date the Company was determining the fair value of the identifiable assets and liabilities of the practice acquisition carried out during the period. These values will be finalised for the full year financial statements. Provisional estimates have been made based on the best information available as of the reporting date.

<b>Dental Practice</b>	<b>Consideration paid or payable</b>	<b>Fair value of identifiable net assets acquired</b>	<b>Goodwill arising on acquisition</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bray Park	1,269	331	938
Consideration comprises of:			
-Cash	\$1,094		
-Contingent consideration	\$ 175		
-Total	\$1,269		

Goodwill has arisen from customer relationships that do not meet the definition of an identifiable intangible asset at the date of the acquisition and synergies expected to be achieved from integrating the back office processing of the Bray Park practice with the existing business of 1300SMILES Limited. None of the goodwill is expected to be deductible for tax purposes. At the end of the half year, there have been no adjustments to this balance of goodwill.

During the half-year ended 31 December 2010 an earn-out payment was made pursuant to the Bundaberg acquisition agreement, comprising:-

- i) 27,942 ordinary shares at \$2.90 per share;
- ii) 50,000 ordinary shares at \$2.50 per share – to be held in voluntary escrow over 3 years.

This earn-out payment was recorded against financial liabilities – deferred settlement.

**2009**

Dental practices and others were not acquired during the half-year ended 31 December 2009.

During the half-year ended 31 December 2009 an earn-out payment was made pursuant to the Bundaberg acquisition agreement, comprising:-

- i) 43,003 ordinary shares at \$2.90 per share;
- ii) 50,000 ordinary shares at \$2.50 per share – to be held in voluntary escrow over 3 years; and
- iii) A cash payment of \$125,000.

Additionally, during the half-year ended 31 December 2009 an earn-out payment of \$413,000 was made pursuant to the Toowoomba acquisition agreement.

The earn-out payments for both the Bundaberg and Toowoomba acquisitions were recorded against the goodwill associated with these acquisitions.





**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 8: SHARE CAPITAL**

**2010**

During the half-year reporting period, the company issued the following ordinary shares:

- i) 110,000 ordinary shares for \$302,300; and
- ii) 77,942 ordinary shares for \$206,032 being the settlement of an earn-out payment pursuant to the Bundaberg acquisition agreement.

**2009**

In the prior half-year reporting period the company issued 93,003 ordinary shares for \$249,709 being the settlement of an earn-out payment pursuant to the Bundaberg acquisition agreement.

There were no other movements in the ordinary share capital of the company in the current or prior half-year reporting periods.

**NOTE 9: INDIVIDUALLY SIGNIFICANT ITEMS**

During the half-year reporting period, the company granted a licence to a marketing and management company allowing it to market, manage and operate four practices within the southeast Queensland region. As a result of this agreement, the statement of comprehensive income includes licence fee revenue of \$183,000 (2009:nil), and the statement of financial position includes a licence fee receivable of \$900,000 (30 June 2010:nil) and income in advance of \$833,000 (30 June 2010:nil).



**1300** **S**<sub>7</sub> **M**<sub>6</sub> **I**<sub>4</sub> **L**<sub>5</sub> **E**<sub>3</sub> **S**<sub>7</sub>  
**DENTISTS**

## **1300SMILES LIMITED**

### **DIRECTORS' DECLARATION**

In the opinion of the directors:

- (a) The attached financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity.
  - ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (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.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

**Daryl Holmes**  
Director  
Townsville  
21 February 2011

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF 1300SMILES LIMITED

We have reviewed the accompanying half-year financial report of 1300SMILES Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 1300SMILES Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 1300SMILES Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 1300SMILES Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (QLD) Pty Ltd**

BDO

**A J Whyte**

Director

Brisbane, 21 February 2011