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 2015
Previous Corresponding Reporting Period	30 June 2014

Results for Announcement to the Market

	$'000	**Percentage increase/ (decrease) over previous corresponding period**
Revenue from ordinary activities	36,552	15%
Profit / (loss) from ordinary activities after tax attributable to members	6,580	32%
Net profit / (loss) for the period attributable to members	**6,580**	**32%**

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	10.2 cents	100%
Interim Dividend	9.0 cents	100%

Record date for determining entitlements to the dividends (if any)	7 October 2015

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	16 October 2015
Record date to determine entitlement to the dividend	7 October 2015
Amount per security	10.2 cents
Total dividend	$2,415,195
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	44.6 cents	34.8 cents

Commentary on the Results for the Period

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
William Bass
Company Secretary
18 August 2015

1300 SMILES Dentists

ANNUAL REPORT

For the year ended 30 June 2015

1300 SMILES Stadium

1300 Smiles™ We Care

1300 SMILES Dentists

CONTENTS

DIRECTORS
Robert Jones, Chairman
Dr. Daryl Holmes, Managing Director
William Bass, Non-Executive Director
Dr. Glen Richards, Non-Executive Director

COMPANY SECRETARY
William Bass

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1300SMILES Limited
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105 Denham Street
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Telephone: + 61 7 4720 1300
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Level 16 Waterfront Place
1 Eagle Street
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Operational
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51 Sturt Street
Townsville QLD 4810

MacDonnells Law
Level 1
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Townsville QLD 4810

AUDITOR
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Townsville, QLD, 4810

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 Investor Services
Pty Limited
117 Victoria Street
West End QLD 4001
Telephone: +61 7 3237 2100

LETTER FROM MANAGING DIRECTOR

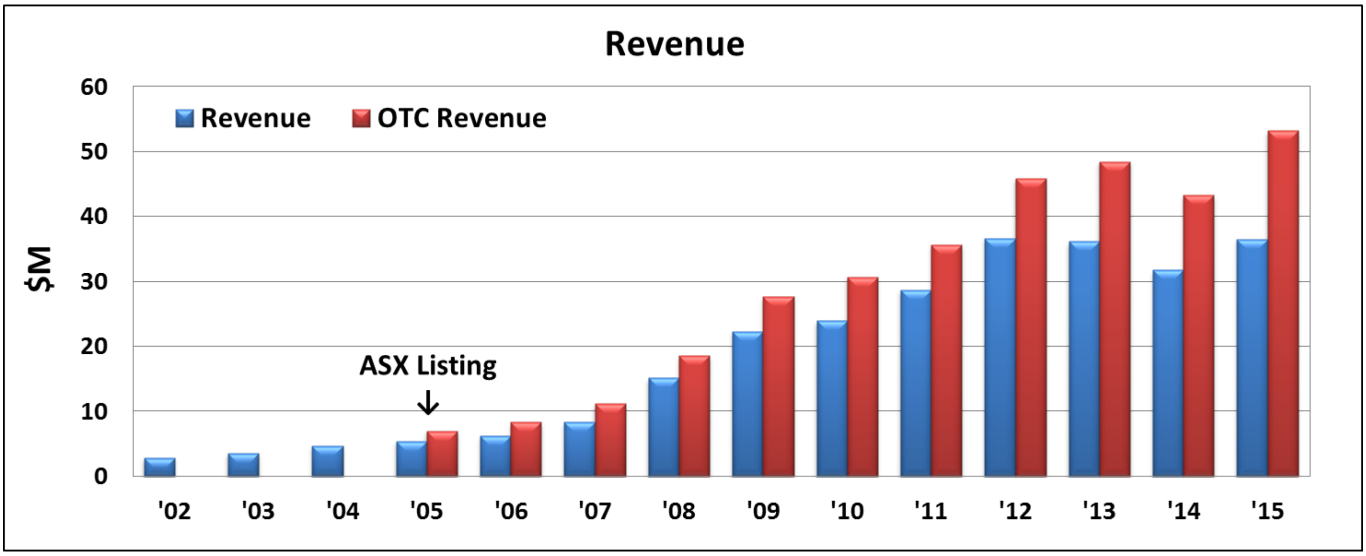
Dear Shareholders,

I take great pleasure in delivering our eleventh annual report. The 2014/2015 financial year was positive in all respects. As well as being our eleventh year as a listed company, it was the second full year of the new era (as discussed in detail in last year's annual report) in the dental services industry. Both our long term and our new era results are pleasing indeed.

Financial Results for the year ended 30 June 2015

- Revenue (Statutory) up 15% to $36.6 million
- Revenue (Over-the-Counter) up 23% to $53.2 million
- EBITDA up 25% to $12.1 million
- NPAT up 32% to $6.6 million
- Earnings Per Share up 32% to 27.8c
- Full year dividend up 32% to 19.2c per share

On every important measure, the results for the 2015 year show significant improvement over those of the previous year. I believe our company has successfully adapted to the conditions now prevailing in our industry, and that our many initiatives have boosted our results in ways which are starting to show in our accounts but which have a long way to run yet.



Reconciliation of OTC Revenue (non-IFRS) to Statutory Revenue per (Financial Statements)	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	15
OTC Revenue ($m)	**7.0**	**8.3**	**11.2**	**18.6**	**27.6**	**30.7**	**35.7**	**45.9**	**48.5**	**43.3**	**53.2**
Less amount retained by self-employed Dentists ($m)	1.6	2.1	2.8	3.4	5.3	6.8	6.9	9.2	12.3	11.5	16.6
Statutory Revenue ($m)	**5.4**	**6.2**	**8.4**	**15.2**	**22.4**	**23.9**	**28.7**	**36.7**	**36.2**	**31.8**	**36.6**

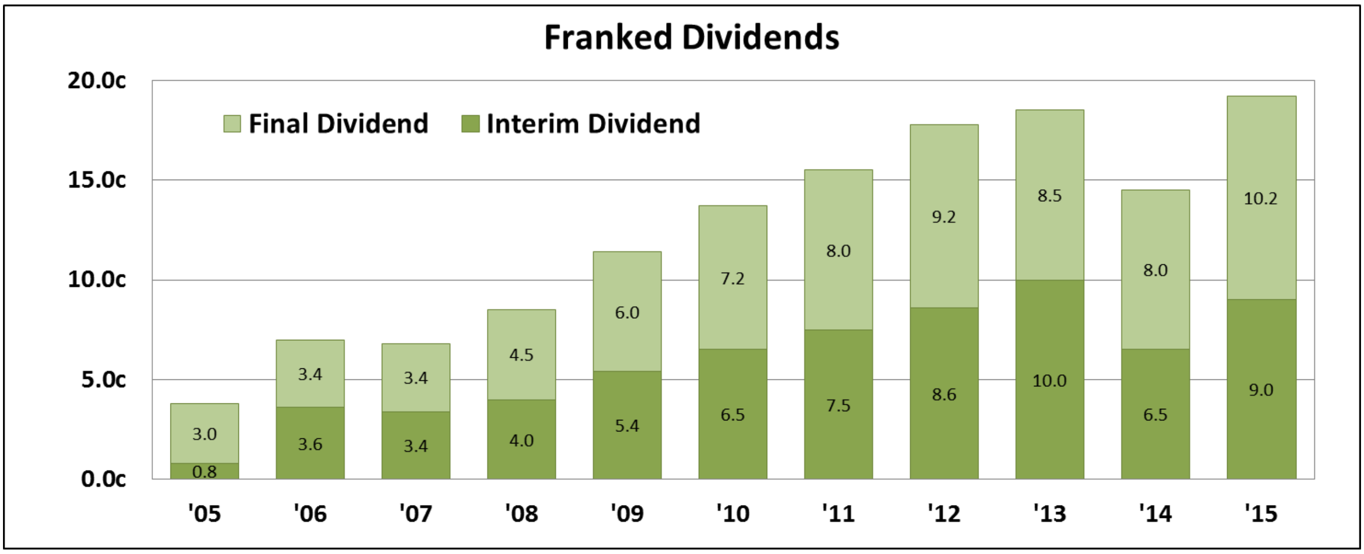
"Revenue" in the chart above is the Revenue we report in our statutory accounts.

"OTC Revenue" is a measure we track which captures the full value paid by patients for all services rendered. OTC Revenue gives a clearer indication of the scale of our business. The difference is that "Revenue" excludes the portion of patient fees retained by self-employed dentists.

Dividends

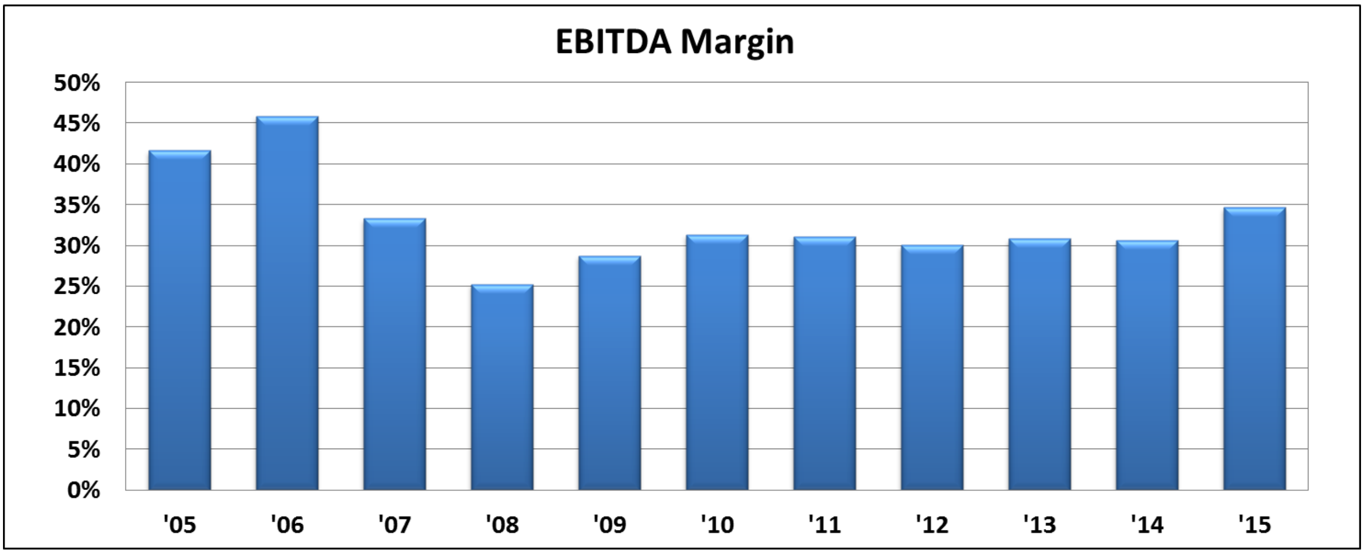
1300SMILES has an uninterrupted history of paying fully franked dividends. The final dividend for the 2015 year of 10.2c is not only the largest single dividend ever paid, but it also brings our full year dividend to the highest total ever at 19.2c.

As always, the dividend reflects both the company's performance during the year past and our view of the future. The current year has commenced with continuing growth and further improvement from every aspect of our business; I have every reason to expect that the future for our dividend will continue the trend established over the past eleven years.



Earnings Before Interest, Tax, and Depreciation (EBITDA)

EBITDA is widely used as a measure of the quality of a company's core operations. Our results for the 2015 year include a solid increase in EBITDA. Our EBITDA margin, as illustrated below, increased nicely from the level of previous years. This year's notable increase results from both our constantly improving business and from the successful acquisition of BOH Dental, which for the first time has been included in our results for a full financial year.



Making Dentistry Affordable

The driving theme behind both our business and our role in society is "making dentistry affordable."

Our $1-a-day Dental Care Plan has become a core part of our business. We believe that it has enabled thousands of people to commence and maintain regular dental care programs which might otherwise have been out of reach financially. Others use it simply for the peace of mind that comes from knowing that the cost of their basic preventive dentistry is fixed.

Building on our experience with the Dental Care Plan, we turned out minds to the challenge faced by people whose well-being depends on more extensive dental treatments. Recently we introduced our 1300SMILES DMA Vouchers program. This enables people to spread the cost of more expensive dental programs over longer periods with payments of just $99 per week.

$99 PER WEEK | 1300SMILES DMA VOUCHERS

Vouchers are available for $3,000, $4,000, or $5,000. These are repaid at $99 per week and incorporate a discount on the value of the voucher. A $3,000 voucher, for example, is paid off in 27 payments of $99, for a total of $2,673. The patient enjoys a discount of $327 and does not pay any interest or administrative charge of any kind.

Normal value of treatment	You save	You pay only
$5,000	**$545**	**$4,455**
On treatment day you pay		**$0**
Plus 45 weekly payments of		**$99**

The early response to this approach has been strong indeed. I expect the voucher program to become an important aspect of our business as it is rolled out more widely across our group.

BOH Dental's first full year with 1300SMILES

Our acquisition of BOH Dental has lived up to its promise in every way, making a significant contribution to the growth of NPAT and EBITDA, expanding our capacity to deliver high-end and complex dental services, and broadening opportunities for our dentists to make referrals to specialists within our group.

Equally important, our first full year with BOH on board has shown that the acquisition and integration process has been well managed, with benefits flowing to all parties. BOH was a substantial business in its own right prior to joining 1300SMILES, and merging groups of professionals requires a great deal of care and attention. I acknowledge the good faith and professional behaviour of all involved in creating this success.

The structure of our arrangement with BOH has one incidental effect which may interest some shareholders. Without getting bogged down in the accounting details, BOH makes a much larger contribution to our Over-the-Counter Revenue than to our statutory Revenue. As I have noted before, it is our OTC Revenue which best represents the scale of our business, as it represents the total amount paid by our customers for services rendered.

Oral health is health, full stop

Forgive me for climbing on to my soapbox for a moment, but I'll remind you that good oral health is essential to good health generally. If dental care is neglected the result is ill health and increased health care expense. Poor oral health can and does lead to a downward spiral though poor diet and progressively declining health, often leading to a hospital emergency room and treatment costing many thousands of dollars, all of which could have been avoided via routine dental care and, in some cases, more elaborate corrective dental care.

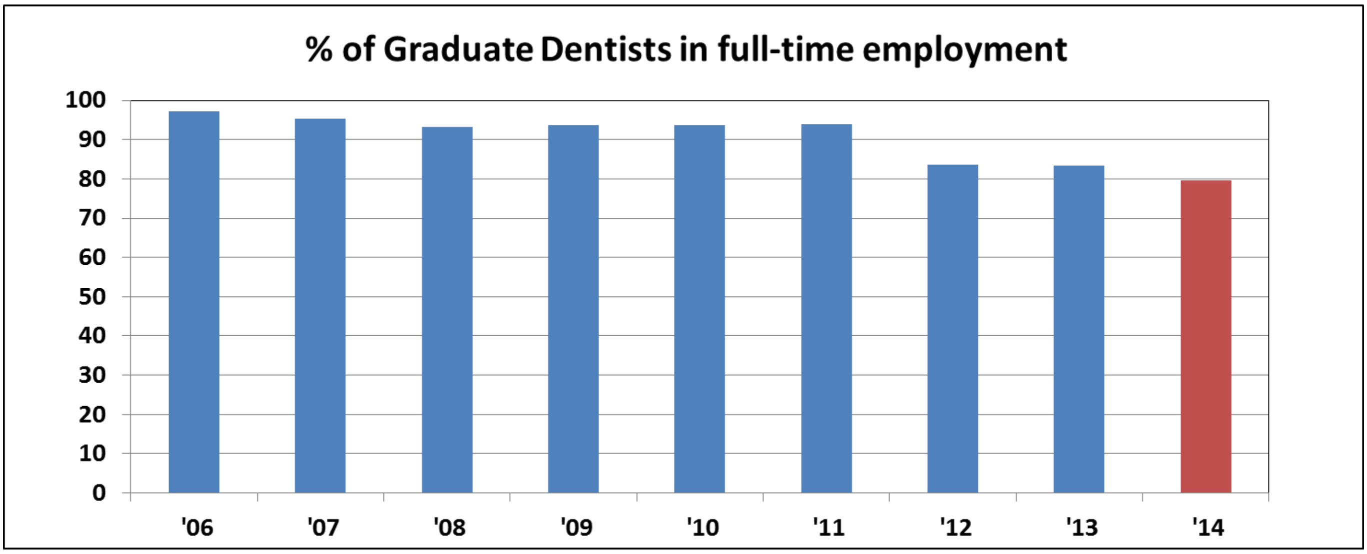
We are of course in the business to make money, but I am proud that our company does so by catching developing health issues early. If we can divert just a small fraction of Australia's ballooning health care costs to our dental surgeries then we will be doing the right thing by our dentists, our shareholders, the thousands of people we assist to avoid unnecessary suffering, and by our society at large.

I wake up every day committed to making sure 1300SMILES does more dentistry than the year before because I'm sure this is the right thing to do for every reason.

The broader dental industry

Our strong results for the 2015 year reflect the success 1300SMILES has had in the current industry conditions. As the only player with a long history as a listed entity, 1300SMILES is sometimes taken as a proxy for the state of the dental industry. That could be a mistake.

A number of factors continue to make the dental industry difficult. The chief factors are a continuing oversupply of newly-graduated dentists and continuing government confusion as to how dentistry fits into the health care system and how it should be funded. These factors and others create headwinds for all dental operators, from solo suburban dentists to other larger operators.



A long-time advisor of mine always tells me I should be happy when things are hard, because if it were easy, everyone would be doing it. From where I sit, ours will remain a challenging industry for the foreseeable future. Our success over the years has come from our ability to deliver creative solutions to the delivery of dental care in Australia.

Real results and accounting results

From time to time I comment on how the accounting standards sometimes require us to report results which do not reflect the way in which an owner would understand our business. This can go either way, sometimes making our reported results look better than I think they should, sometimes making them look worse. Long term shareholders would know I'm quick to point out any divergences between accounting figures and practical reality.

I have no such complaint about the 2015 accounts, and I am comfortable that our statutory results are entirely compatible with our real, practical results.

Welcome our new director

I am extremely pleased that Dr. Glen Richards has agreed to join the board of 1300SMILES. Glen was the founding managing director of Greencross Ltd (ASX: GXL) and guided the growth of that company to over 120 veterinary practices plus 200 pet specialty stores. He is also a director of regenerative medicine company Regeneus Ltd (ASX: RGS). I have known Glen for many years and I have no doubt that he will make a strong positive contribution to our company.

Youth With A Mission

Our close relationship with YWAM extends back several years now. YWAM works the way we all should: they identify needs and just meet them, directly, efficiently, and right away. YWAM's Medical Ship delivers medical, dental, optical, and ophthalmology services directly to remote villages in Papua New Guinea, in most cases to people who otherwise have access to no regular medical care.

In July YWAM's new ship, the MV YWAM PNG, completed its first nine-week voyage with a crew of 196 volunteers. Thanks to the greatly increased capacity of the new ship, YWAM visited twice as many villages and treated three times as many patients as they could accommodate with the previous ship. In addition to direct treatment, YWAM also delivered basic healthcare training to over 12,000 people.

Medical Ships - Australia

The old and the new…. 500% bigger!

www.ywamships.org.au

I personally do everything I can to encourage 1300SMILES staff to support YWAM, especially by volunteering for a tour of duty. I urge you to have a look at YWAM's web site for more information, and I recommend the story about Harold the dental therapist.

Yours faithfully

Daryl Holmes
Managing Director

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, South Australia, 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.dentalcareersaustralia.com.au.

Your directors present their report on the consolidated entity consisting of 1300SMILES Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015. Throughout the report, the consolidated entity is referred to as the group.

Directors and company secretary

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)
William Bass (Non-Executive Director)

Dr. Glen Richards was appointed as a Non-Executive Director on 1 May 2015 respectively and continues in office at the date of this report.

The company secretary is Mr William Bass (BEcon, CA, FGIA, FInstlB, MAICD, JP Qual). Mr Bass was appointed to the position of company secretary in 2007. Before joining 1300SMILES Limited he held similar positions in a range of leading Australian and International public companies.

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:

	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 8.0 cents (2013: 8.5 cents) per ordinary share paid on 15 October 2014 fully franked based on a tax rate of 30%	1,894	2,013
Interim dividend for the half year ended 31 December 2014 of 9.0 cents (2013: 6.5 cents) per ordinary share paid on 1 April 2015 fully franked based on a tax rate of 30%	2,131	1,539
	4,025	3,552

Since the end of the financial year, the directors have recommended the payment of a final ordinary dividend of 10.2 cents ($2,415,195) to be paid on 16 October 2015 out of retained earnings at 30 June 2015.

Review of operations

The profit for the group after providing for income tax amounted to $6,580,000 (30 June 2014: $4,987,000).

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.

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows:

Sale of our Tweed Heads and Warana practices on the 1 September 2014 and 30 June 2015 respectively.

Events since the end of the financial year

A fully franked final dividend of 10.2 cents per share has been declared and is payable on 16 October 2015.

Apart from the matters mentioned above, no other matter or circumstance has arisen since 30 June 2015 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

Environmental regulation

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

Information on directors

Robert Jones
Non-Executive Chairman
MAICD

Experience and expertise:
Mr Jones 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, the Mater Hospital (Pimlico) and Mater Hospital (Hyde Park).

Mr Jones is a member of the Australian Institute of Company Directors.

Other current Directorships:
Hermit Bus Park Service Pty Ltd (unlisted)

Former Directorships (in the last 3 years):
Mater Health Services North QLD Ltd (unlisted).

Special responsibilities:
Nil.

Interests in shares:
32,606 ordinary shares in 1300SMILES Limited.

Interests in options:
None.

Dr. Daryl Holmes
Managing Director
BDSc (Hons) MAICD

Experience and expertise:
Dr. Holmes is the founder of 1300SMILES Limited and a qualified dentist having obtained his dental qualifications (BDSc (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 later that year. Since that time he has operated dental surgeries in the Burdekin region, the ten major population centres in Queensland and more recently in New South Wales and South Australia.

Dr. Holmes has been a member of the Australian Dental Association (ADA) for 28 years.

Dr. Holmes has extensive experience in operating dental practices and an intimate knowledge of the management, administrative and other support services required in a dental practice. He has been instrumental in establishing the support network and suite of services that 1300SMILES Limited currently provides to its dental clients.

Dr. Holmes has been a Director and Chairman of the Cowboys Leagues Club for the past 13 years, and in May 2014 he was elected chairman.

Other current Directorships:
Cowboys Leagues Club Ltd (unlisted)
Dental Members Australia Pty Ltd (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.

William Bass
Non-Executive Director and Company Secretary
BEcon, CA, FGIA, FInstlB, MAICD, JP(Qual)

Experience and expertise:
Mr Bass has considerable corporate and listed Company experience. He brings extensive commercial and financial management experience from a range of leading Australian and international public companies including General Electric, Billabong, Country Road and On Card International.

Other current Directorships:
China Magnesium Corporation Limited
Silicon Lakes Limited (unlisted)
Alzheimer's Australia, Inc. (unlisted)
Alzheimer's Australia (Qld) Limited (unlisted)

Former Directorships (in the last 3 years):
None.

Special responsibilities:
Company Secretary.

Interests in shares:
16,200 ordinary shares in 1300SMILES Limited.

Interests in options:
None.

Dr. Glen Richards
Non-Executive Director
B.V.Sc.(Hons), M.Sc., F.A.I.C.D.

Experience and expertise:
Dr Richards is a qualified veterinarian and founding Managing Director of Greencross Limited. Dr Richards practiced companion animal medicine and surgery in Brisbane, Townsville and London before commencing practice ownership and establishing Greencross Vets in Townsville in 1994. He was a cofounder and director of Mammoth Pet Holdings Pty Ltd (Petbarn and Animates) up until the time of merger. Dr Richards is a past director of Lyppard Australia, one of Australia's leading Veterinary wholesalers. He established China's first western veterinary practice (Shanghai PAW) in 2001. Dr Richards has been a Member of Australian Veterinary Association since 1988, with special interest groups in Small Animals and Practice Management.
Dr Richards is currently is a non-executive director of Regeneus Ltd (ASX: RGS) an ASX listed clinical-stage regenerative medicine company, a non-executive director of Greencross Ltd (ASX: GXL) an operator of over 200 pet stores and over 130 high quality full-service veterinary facilities across Australia and a non-executive director of US based SmartVet Pty Ltd an animal health company that develops novel veterinary medicines, vaccines and delivery platforms to improve livestock productivity.

Other current Directorships:
Greencross Ltd
Regeneus Ltd

Former Directorships (in the last 3 years):
None.

Special responsibilities:
Nil.

Interests in shares:
Nil.

Interests in options:
None.

Meetings of directors
The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Board		Remuneration Committee	
	Attended	**Held**	**Attended**	**Held**
Robert Jones	11	11	1	1
Dr. Daryl Holmes	11	11	1	1
William Bass	11	11	1	1
Dr. Glen Richards	2	2	-	-

The board resolved in its meeting on 27 March 2014, to amalgamate the responsibilities of the Audit and Risk Committee, and assume all of the responsibilities on the basis of the commonality of the members.

Remuneration report

The directors present the 1300SMILES Limited 2015 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

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

(a) Key management personnel covered in this report

Non-executive and executive directors (see pages 8 to 10 for details about each director)
Robert Jones
William Bass
Dr Daryl Holmes
Dr Glen Richards

Other key management personnel

Name	**Position**
Basil Ahyick	General Manager Operations and Finance (from 1 July 2014 to 12 June 2015)

(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

(c) Elements to 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 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 (g) 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 Remuneration Committee, based on individual and overall performance of the entity and comparable market remuneration.

(d) 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.

Remuneration report

(e) Remuneration expenses for executive KMP

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

Fixed remuneration				
	Short-term benefits			
Name	**Salary and fees**	**Post-employment benefits**	**Annual and long service leave**	**Total**
	$	**$**	**$**	**$**
Non-Executive Directors:				
Robert Jones				
2015	27,523	2,615	-	30,138
2014	27,523	2,529	-	30,052
William Bass*				
2015	57,523	2,615	-	60,138
2014	64,523	2,529	-	67,052
Dr. Glen Richards				
2015	4,566	434	-	5,000
2014	-	-	-	-
Executive Directors:				
Dr. Daryl Holmes				
2015	82,557	7,843	-	90,400
2014	82,875	7,665	-	90,540
Other Key Management Personnel:				
Basil Ahyick (up until 12 June 2015)**				
2015	198,805	18,886	-	217,691
2014	-	-	-	-
Total				
2015	370,974	32,393	-	403,367
2014	174,921	12,723	-	187,644

* Includes Company secretarial services.
** Basil Ahyick was not considered a KMP as at 30 June 2014, therefore there are no comparatives for 2014.

Remuneration report

(f) 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 $90,400 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. The directors believe that the remuneration is appropriate for the duties allocated to Dr Holmes, the size of the company's business, the industry in which the company 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.

Basil Ahyick (General Manager - Operations and Finance)
Agreement commenced:
10 February 2014.

Resignation:
Mr Ahyick resigned on 12 June 2015.

Details:
Mr Ahyick's remuneration comprised a salary of $220,000 inclusive of statutory superannuation entitlements and was reviewable on a yearly basis. Performance based salary increases or bonuses were at the board's discretion. There were no pay-outs upon resignation, outside of industrial regulations.

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

(g) 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.

	30 June 2015
Base fees	
Chair	$30,000
Other non-executive directors	$30,000
Additional fees	
Secretarial services	$30,000

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Remuneration report

(h) 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 13.

	Fixed remuneration	
Name	**2015**	2014
Executive directors		
Dr. Daryl Holmes	**100%**	100%
Other key management personnel of the group		
Basil Ahyick (up until 12 June 2015)	**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 2015 (2014: 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 2015 (2014: 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 2015 (2014: 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:

2015	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Robert Jones	32,606	-	-	-	32,606
Dr. Daryl Holmes	14,711,729	-	-	-	14,711,729
William Bass	16,200	-	-	-	16,200
Basil Ahyick	50,016	-	49,984	-	100,000
	14,810,551	-	49,984	-	14,860,535

2014	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Robert Jones	32,606	-	-	-	32,606
Dr. Daryl Holmes	14,711,729	-	-	-	14,711,729
William Bass	16,200	-	-	-	16,200
	14,760,535	-	-	-	14,760,535

Remuneration report

Loans given to key management personnel
Details of loans made to directors of 1300SMILES Limited and other key management personnel of the group, including their close family members and entities related to them, are set out below.

Name	Balance at the start of the year	Interest paid and payable for the year	Additions	Balance at the end of the year	Highest indebtedness during the year
Basil Ahyick	$303,754	$30,372	$302,617	$636,743	$636,743

The above loan outstanding at the end of the current year includes a share loan to a 1300SMILES Limited KMP of $636,743 which was made for a period of seven years and is repayable in full on 21 February 2021. Interest payable on this loan is at the sum of the 180 Bank Bill Swap Rate (bid) (BBSW) from time to time (being approximately 2.6%) plus 3%. The company may at any time by notice in writing call on the borrower to repay part or all of the money owing. If the company makes such a call, the money owing will become payable on the date which is thirteen (13) months after the date on which the company makes the call. If the KMP 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.

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 and storage premises;
- Dental Members Australia Pty Ltd whereby the group refers new members to the dental plan, in return for commission.

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

Included in operating lease commitments is $470,560 committed to Ashbourne Park Pty Ltd over a period of 4 years and $1,079,274 committed to Golden Arch Pty Ltd over a period of 4 years.

There were $286,000 (2014:$176,000) trade receivables and $182,000 (2014:$182,000) payables from related parties at the reporting date.

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

During the year, the group made payments of $415,982 (2014: $694,305) to Dentist Members Australia Pty Ltd for dental plans.

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

	2015 $	2014 $
Received for goods and services:		
DMA commission revenues	645,999	203,148
Dental management services	69,157	77,308
Payment for other expenses:		
Rental expense paid to related parties	553,040	506,042

Remuneration report

Voting of shareholders at last year's annual general meeting
1300SMILES Limited received more than 90% of "yes" votes on its remuneration report for the 2014 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(i) Voluntary information: remuneration received
The amounts disclosed in the table on page 13 as executive and KMP remuneration for the 2015 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 13 for details.

Fixed remuneration excludes any accruals of annual or long-service leave.

Shares under option
There were no options outstanding as at 30 June 2015 (2014: 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 2015 (2014: nil).

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 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 (PricewaterhouseCoopers Australia) for audit and non-audit services provided during the year are set out below.

Non-audit services (continued)

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:

	2015 $	2014 $
PricewaterhouseCoopers		
Tax compliance and consulting services	**14,040**	12,296

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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order 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
Director

Townsville
18 August 2015

Auditor’s Independence Declaration

As lead auditor for the audit of 1300SMILES Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, 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.

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

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
18 August 2015

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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 (3rd edition) published by the ASX Corporate Governance Council.

The 2015 corporate governance statement is dated as at 30 June 2015 and reflects the corporate governance practices in place throughout the 2015 financial year. The 2015 corporate governance statement was approved by the board on 18 August 2015. 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://www.1300smiles.com.au/corporate-governance-2/.

	Note	Consolidated 2015 $'000	2014 $'000
Revenue from continuing operations			
Services	5	**36,507**	31,591
Other income	6	**45**	164
Expenses			
Consumables, lab fees and other supplies		**(3,703)**	(3,500)
Employee benefits expense		**(13,835)**	(12,155)
Depreciation and amortisation expense	7	**(2,717)**	(2,278)
Property expenses		**(2,658)**	(2,364)
Operating expenses		**(3,911)**	(2,995)
Corporate and administration expenses		**(267)**	(110)
Business growth and development		**(60)**	(912)
Finance costs	7	**(30)**	(4)
		(27,181)	(24,318)
Share of net profit / (loss) of associates	16	**1**	(64)
Profit before income tax expense		**9,372**	7,373
Income tax expense	8	**(2,792)**	(2,386)
Profit after income tax expense for the year attributable to the owners of 1300SMILES Limited		**6,580**	4,987
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss		**-**	-
Items that will not be reclassified to profit or loss		**-**	-
		6,580	4,987
Total comprehensive income for the year attributable to the owners of 1300SMILES Limited		**6,580**	4,987

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:

	Note	Cents	Cents
Basic earnings per share	9	**27.8**	21.0
Diluted earnings per share	9	**27.8**	21.0

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Note	Cents	Cents
Basic earnings per share	9	**27.8**	21.0
Diluted earnings per share	9	**27.8**	21.0

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

	Note	Consolidated 2015 $'000	2014 $'000
Assets			
Current Assets			
Cash and cash equivalents	11	**6,284**	1,369
Trade receivables	12	**1,230**	1,468
Inventories	13	**26**	30
Other	14	**771**	76
Total current assets		**8,311**	2,943
Non-current Assets			
Loans receivable	15	**485**	2,137
Investments accounted for using the equity method	16	**270**	269
Property, plant and equipment	17	**9,721**	11,990
Intangible assets	18	**21,227**	20,989
Deferred tax assets	19	**70**	472
Other	14	**-**	6
Total non-current assets		**31,773**	35,863
Total Assets		**40,084**	38,806
Liabilities			
Current Liabilities			
Trade and other payables	20	**5,605**	5,786
Current tax liability		**283**	858
Provisions	21	**549**	575
Other liabilities	22	**161**	150
Total current liabilities		**6,598**	7,369
Non-current Liabilities			
Provisions	21	**296**	301
Other liabilities	22	**137**	406
Trade and other payables	20	**1,253**	1,511
Total non-current liabilities		**1,686**	2,218
Total liabilities		**8,284**	9,587
Net Assets		**31,800**	29,219
Equity			
Contributed equity	23	**15,501**	15,501
Retained profits		**16,299**	13,718
Total Equity		**31,800**	29,219

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

	Note	Contributed equity $'000	Retained profits $'000	Total equity $'000
Consolidated				
Balance at 1 July 2013		15,501	12,451	27,952
Profit after income tax expense for the year		-	4,987	4,987
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	4,987	4,987
Transactions with owners in their capacity as owners:				
Dividends paid	10	-	(3,552)	(3,552)
Recognition of dividends payable	10	-	(168)	(168)
Balance at 30 June 2014		15,501	13,718	29,219
Balance at 1 July 2014		**15,501**	**13,718**	**29,219**
Profit after income tax expense for the year		**-**	**6,580**	**6,580**
Other comprehensive income for the year, net of tax		**-**	**-**	**-**
Total comprehensive income for the year		**-**	**6,580**	**6,580**
Transactions with owners in their capacity as owners:				
Dividends paid	10	**-**	**(4,025)**	**(4,025)**
De-recognition of dividends payable	10	**-**	**26**	**26**
Balance at 30 June 2015		**15,501**	**16,299**	**31,800**

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

	Note	Consolidated 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**38,978**	32,315
Payments to suppliers and employees (inclusive of GST)		**(27,681)**	(22,387)
		11,297	9,928
Insurance claims refunds and other income		**45**	164
Interest received		**112**	352
Interest and other finance costs paid		**(82)**	(4)
Income taxes paid		**(2,670)**	(2,284)
Net cash from operating activities	34	**8,702**	8,156
Cash flows from investing activities			
Investments in share loans		**(303)**	(303)
Repayment of share loans		**1,714**	-
Proceeds from sale of assets		**236**	-
Payments for property, plant and equipment	17	**(571)**	(1,605)
Payments for intangible assets	18	**(434)**	(1,003)
Payment of deferred and contingent consideration		**(430)**	-
Payment for purchase of businesses, net of cash acquired	31	**-**	(8,375)
Net cash used in investing activities		**212**	(11,286)
Cash flows from financing activities			
Dividends paid		**(3,999)**	(3,552)
Net cash used in financing activities		**(3,999)**	(3,552)
Net decrease in cash and cash equivalents		**4,915**	(6,682)
Cash and cash equivalents at the beginning of the financial year		**1,369**	8,051
Cash and cash equivalents at the end of the financial year	11	**6,284**	1,369

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

Note 1. Corporate information

The financial report of 1300SMILES Limited and its wholly owned subsidiary (together, the group) was authorised for issue in accordance with a resolution of directors on 18 August 2015. The directors have the power to amend and reissue the financial reporting. 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.

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).

New and amended standards adopted by the group
The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of AASB 2013-3 had a small impact on the impairment disclosures and AASB 2014-1 has required additional disclosures in our segment note. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

The group also elected to adopt the following two standards early:

- Amendments made to Australian Accounting Standards by AASB 2015-1 (Improvements 2012-2014 cycle), and
- Amendments made to AASB 101 by AASB 2015-2 (Disclosure initiative).

As these amendments merely clarify the existing requirements, they do not affect the group's accounting policies or any of the disclosures.

Note 2. Summary of significant accounting policies (continued)

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

Note 2. Summary of significant accounting policies (continued)

New standards and interpretations not yet adopted

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by group
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 July 2017.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

(i) 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 31)

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.

(ii) Joint arrangements

Joint venture entities

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. Under the equity method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the group.

(iii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of 1300SMILES Limited.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate

Note 2. Summary of significant accounting policies (continued)

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 measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group’s activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised on the following basis:

Rendering of services
Revenue from dental services and service fees from contract dentists is recognised upon the performance of services.

Interest revenue
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Membership and treatment plans
Membership and treatment plan revenue is recognised on an accrual basis, whereby revenue is recognised when the service is rendered. In the circumstance whereby at the end of month 6 of the 12 month membership period, no service has been rendered, revenue will be recognised.

Other membership and treatment plans
Membership and treatment plan revenue is recognised on an accrual basis, whereby revenue is recognised when the service is rendered.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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.

Note 2. Summary of significant accounting policies (continued)

Income tax
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.

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 subsidiary 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.

Note 2. Summary of significant accounting policies (continued)

Business combinations
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.

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. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Some gilt-edged receivables are not collected within 60 days and are generally considered collectable in full by the Board.

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

Financial assets

Financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 2. Summary of significant accounting policies (continued)

Impairment of financial assets
The group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

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

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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Goodwill
Goodwill on acquisitions of subsidiaries 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 20 years.

Note 2. Summary of significant accounting policies (continued)

Intangible assets
Future maintainable revenue stream
Future maintainable revenue stream is 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 years.

Technology assets
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
- 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.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 the reporting period.

Finance costs
General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed 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 a number of 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.

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.

Note 2. Summary of significant accounting policies (continued)

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.

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 statement of financial position.

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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ‘rounding off’ of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order 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 30 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.
The adoption of the tax consolidation system has not yet been formally notified to the Australian Taxation Office.

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.

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 18 for further information.

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 $13,678,000 (2014: $8,173,000) and dental management services of $22,450,000 (2014: $22,712,000) 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.

Note 4. Operating segments (continued)

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

	Consolidated 2015 $'000	Consolidated 2014 $'000
Note 5. Revenue		
Sales revenue		
Service fees	**36,128**	30,885
Other revenue		
Interest	**149**	360
Other revenue	**230**	346
	379	706
Revenue	**36,507**	31,591
Note 6. Other income		
Other income	**45**	164

	Consolidated 2015 $'000	Consolidated 2014 $'000
Note 7. Expenses		
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Leasehold improvements	**582**	662
Plant and equipment	**1,670**	1,288
Total depreciation	**2,252**	1,950
Amortisation		
Software	**154**	167
Intellectual property	**47**	47
Other	**264**	114
	465	328
Finance costs		
Interest and finance charges paid/payable	**30**	4
Rental expense relating to operating leases		
Minimum lease payments	**2,344**	2,044
Defined contribution superannuation expense	**890**	722
Net loss on sale of non-current assets	**53**	29
Gain on de-recognition of contingent consideration	**(108)**	(221)

	Consolidated 2015 $'000	2014 $'000
Note 8. Income tax expense		
Income tax expense		
Current tax	**2,389**	2,311
Deferred tax	**403**	130
Under/(over) provision in prior years	**-**	(55)
Aggregate income tax expense	**2,792**	2,386
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	**403**	130
Under/(over) provision in prior years	**-**	-
Increase in deferred tax assets (note 19)	**403**	130
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**9,372**	7,373
Tax at the Australian tax rate of 30% (2013: 30%)	**2,812**	2,212
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capitalised business acquisition costs	**-**	170
Entertainment	**11**	10
Share of net profit of associates	**(1)**	19
De-recognition of contingent consideration	**(33)**	(66)
Other	**3**	(32)
	2,792	2,313
Adjustments for current tax of prior periods	**-**	(55)
Adjustments for deferred tax of prior periods	**-**	128
Income tax expense	**2,792**	2,386

Note 9. Earnings per share

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

	2015 $'000	2014 $'000
Net profit attributable to ordinary equity holders	**6,580**	4,987

	2015 No of shares	2014 No of shares
Weighted number of ordinary shares for basic earnings per share	**23,678,384**	23,678,384
Earnings per share	**27.8**	21.0
Diluted earnings per share	**27.8**	21.0

Dividends	Consolidated	
	2015	2014
	$'000	$'000

Note 10. Dividends

Final dividend for the year ended 30 June 2014 of 8.0 cents (2013: 8.5 cents) per ordinary share paid on 15 October 2014 fully franked based on a tax rate of 30%	**1,894**	2,013
Interim dividend for the half year ended 31 December 2014 of 9.0 cents (2013: 6.5 cents) per ordinary share paid on 1 April 2015 fully franked based on a tax rate of 30%	**2,131**	1,539
	4,025	3,552

Since the end of the financial year, the Directors declared, for the year ended 30 June 2015, a final fully franked ordinary share dividend of 10.2 cents ($2,415,195) which is payable on 16 October 2015.

Franking credits	Consolidated	
	2015	2014
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**6,724**	5,919

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.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $1,035,084 (2014 – $858,421).

	Consolidated	
	2015	2014
	$'000	$'000

Note 11. Cash and cash equivalents

Cash on hand	**6**	8
Cash at bank	**6,278**	1,361
	6,284	1,369

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 repayable with 24 hours notice with no loss of interest. See note 2 for the group's other accounting policies on cash and cash equivalents.

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Note 12. Trade receivables		
Trade receivables	**535**	770
Membership and treatment plan receivables *	**746**	698
Provision for doubtful debts	**(51)**	-
	1,230	1,468

*Membership and treatment plan receivables are recognised in the accounting period in which the dental services are provided. The instalments receivable under these plans are allocated over pre-specified time periods usually twelve months.

Impairment of receivables
The group has recognised a provision for doubtful debts in respect of impairment of receivables in the current year, however this was not recognised in the prior years.

Past due receivables
Customers with balances past due amount to $220,000 as at 30 June 2015 ($444,000 as at 30 June 2014). These past due debtors were all 1 to 3 months overdue.

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Note 13. Inventories		
Current assets		
Stock on hand	**26**	30

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Note 14. Other assets		
Current assets		
Prepayments	**132**	71
Share loan principal	**605**	-
Share loan interest	**32**	-
Other current assets	**2**	5
	771	76
Non-current assets		
Other non-current assets	**-**	6

	Consolidated	
	2015	**2014**
	$'000	**$'000**

Note 15. Loans receivable

Share loan principal	**110**	1,912
Share loan interest	**14**	225
Loan facility - principal	**359**	-
Loan facility - interest	**2**	-
	485	2,137

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. (Refer to note 24 for further information on the share loan).

The loan facility was established to provide a cash advance facility to the borrower and the borrower has agreed to accept that advance and to repay it together with interest on the terms set out in the contract. The interest rate is 7% which is reviewed and calculated daily with the maturity date of the facility being 30 June 2017, or any earlier date on which money owing becomes payable.

Note 16. Joint arrangements

Dental Members Australia Pty Ltd ('DMA') has share capital consisting solely of ordinary shares which are held directly by the group. The proportion of ownership interest is the same as the proportion of voting rights held. The key decisions of the governing body of DMA require unanimous consent from all shareholders and accordingly the investment is classified as a joint venture. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not the group's share of those amounts. They have been amended to reflect adjustments made by the group when using the equity method, including modifications for differences in accounting policy and fair value adjustments.

Note 16. Joint arrangements (continued)

The group's share of profit from its equity accounted investment for the year was $1,000 (2014: -$64,000). The group did not receive any dividends from its equity accounted investment during the year.

	Consolidated 2015 $'000	Consolidated 2014 $'000
Shares in Dental Members Australia Pty Ltd (ownership interest 33%)	**270**	269
Share of associate's assets and liabilities		
Current assets		
Cash and cash equivalents	**380**	360
Receivables	**405**	338
Total current assets	**785**	698
Non-current assets	**443**	288
Total assets	**1,228**	986
Current liabilities		
Trade and other payables	**650**	169
Total liabilities	**650**	169
Net assets	**578**	817
Reconciliation to carrying amounts		
Opening net assets 1 July	**269**	333
Investment in joint venture	**-**	-
Profit/(loss) for the period	**1**	(64)
Other comprehensive income	**-**	-
Dividends paid	**-**	-
Closing net assets	**270**	269
Group's share in %	**33%**	33%
Group's share in $	**270**	269
Carrying amount	**270**	**269**
Revenue	**937**	518
Interest income	**3**	3
Depreciation and amortisation	**-**	-
Interest expense	**-**	-
Income tax expense	**-**	-
Profit/(loss) from continuing operations		
Profit/(loss) for the period	**8**	(103)
Other comprehensive income	**-**	-
Total comprehensive income	**8**	(103)
Dividends received from joint ventures	**-**	-

	Consolidated 2015 $'000	Consolidated 2014 $'000

Note 17. Property, plant and equipment

	2015 $'000	2014 $'000
Leasehold improvements - at cost	**4,810**	5,309
Less: Accumulated depreciation	**(2,830)**	(2,809)
	1,980	2,500
Plant and equipment - at cost	**15,135**	15,489
Less: Accumulated depreciation	**(7,394)**	(5,999)
	7,741	9,490
	9,721	11,990

Reconciliations

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

Consolidated	Capital works $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2013	-	5,970	2,777	8,747
Additions	246	1,152	207	1,605
Additions through business combinations (note 31)	-	3,617	-	3,617
Transfers	-	69	(69)	-
Disposals	-	(29)	-	(29)
Depreciation expense	-	(1,289)	(661)	(1,950)
Balance at 30 June 2014	246	9,490	2,254	11,990
Balance at 1 July 2014	**246**	**9,490**	**2,254**	**11,990**
Additions	**10**	**449**	**112**	**571**
Adjustment from business combination (note 31)	**-**	**(291)**	**-**	**(291)**
Transfers	**(246)**	**46**	**200**	**-**
Disposals	**-**	**(293)**	**(4)**	**(297)**
Depreciation expense	**-**	**(1,670)**	**(582)**	**(2,252)**
Balance at 30 June 2015	**10**	**7,731**	**1,980**	**9,721**

Consolidated	Software* $'000	Goodwill $'000	Intellectual property * $'000	Other intangible assets * $'000	Total $'000

Note 18. Intangible assets

	Software*	Goodwill	Intellectual property *	Other intangible assets *	Total
Balance at 1 July 2013					
Cost and net book amount	325	11,807	874	308	13,314
Additions	309	-	-	694	1,003
Additions through business combinations (note 31)	-	7,129	-	-	7,129
Amortisation charge	(167)	-	(47)	(114)	(328)
Contingent consideration	-	(129)	-	-	(129)
Balance 30 June 2014	467	18,807	827	888	20,989
Balance at 1 July 2014					
Cost and net book amount	**467**	**18,807**	**827**	**888**	**20,989**
Additions	**18**	**-**	**-**	**416**	**434**
Adjustment from business combination (note 31)	**-**	**291**	**-**	**-**	**291**
Disposals	**(4)**	**(18)**	**-**	**-**	**(22)**
Amortisation charge	**(154)**	**-**	**(47)**	**(264)**	**(465)**
Balance at 30 June 2015	**327**	**19,080**	**780**	**1,040**	**21,227**

*Software, intellectual property and other intangible assets are separately acquired

	Consolidated 2015 $'000	2014 $'000
Intangible assets		
Cost	**22,312**	21,610
Accumulated amortisation	**(1,085)**	(621)
	21,227	20,989

Impairment tests for goodwill
The total amount of goodwill has been allocated to identified CGU's, being geographical regions.

	Consolidated 2015 $'000	2014 $'000
North Queensland	**478**	478
Central Queensland	**5,173**	5,173
South East Queensland	**3,292**	3,312
Toowoomba	**2,148**	2,148
Adelaide	**569**	569
Brisbane	**6,586**	6,293
Sydney	**834**	834
	19,080	18,807

Note 18. 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 10% (2014: 5%) and are discounted using the group's weighted average cost of capital of 11.7% (2014: 13.6%). Cash flows beyond the five year period are extrapolated using an estimated growth rate of 2% (2014: 2%) which does not exceed the long-term average growth rate for the industry in which each CGU operates.

The recoverable amount of goodwill, based on the above assumptions are as follows:

	Consolidated 2015 $'000
North Queensland	**31,071**
Central Queensland	**68,033**
South East Queensland	**15,840**
Toowoomba	**4,795**
Adelaide	**734**
Brisbane	**15,501**
Sydney	**4,159**
	140,133

	Consolidated 2015 $'000	 2014 $'000
Note 19. Deferred tax		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	**222**	343
Employee benefits	**223**	235
Accrued expenses	**88**	111
Equity raising costs	**26**	52
Unearned revenue	**-**	132
Total deferred tax assets	**559**	873
Deferred tax liabilities		
Intellectual property	**(177)**	(135)
Other intangible assets	**(312)**	(266)
Total deferred tax liabilities	**(489)**	(401)
Net deferred tax assets	**70**	472
Deferred tax assets expected to be recovered within 12 months	**315**	484
Deferred tax assets expected to be recovered after more than 12 months	**244**	390
Deferred tax liabilities expected to be recovered within 12 months	**(1)**	(1)
Deferred tax liabilities expected to be recovered after more than 12 months	**(488)**	(401)
	70	472

	Consolidated 2015 $'000	Consolidated 2014 $'000

Note 19. Deferred tax (continued)

	2015 $'000	2014 $'000
Movements:		
Opening balance	**472**	546
(Debited)/Credited to profit or loss (note 8)	**(402)**	(2)
Adjustments to deferred tax for prior period	**-**	(128)
Acquired in business combination	**-**	56
Closing balance	**70**	472

	Consolidated 2015 $'000	Consolidated 2014 $'000

Note 20. Trade and other payables

	2015 $'000	2014 $'000
Current		
Trade payables	**2,316**	2,371
Sundry payables and accruals	**2,609**	2,881
Unearned revenue	**680**	508
Payable to related parties	**-**	26
	5,605	5,786
Non-current		
Trade payables	**1,253**	1,511

Refer to note 24 for detailed information on financial instruments.

	Consolidated 2015 $'000	Consolidated 2014 $'000

Note 21. Provisions

	2015 $'000	2014 $'000
Current		
Provision for employee benefits	**549**	575
Non-current		
Make good provision	**220**	230
Provision for employee benefits	**76**	71
	296	301
Make good provision		
Balance at 1 July	**230**	240
Charged/ (credited) to income statement	**(10)**	(10)
Balance at 30 June	**220**	230

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.

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 also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $549,000 (2014: $575,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past 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 2015 $'000	Consolidated 2014 $'000
Current leave obligations expected to be settled after 12 months	**76**	71

	Consolidated 2015 $'000	Consolidated 2014 $'000

Note 22. Other liabilities

	2015 $'000	2014 $'000
Current		
Contingent settlement payable	**161**	150
Non-current		
Contingent settlement payable	**137**	406
Contingent settlement payable		
Balance at 1 July	**556**	504
Additions through business combinations	**-**	400
Settled / utilised during the year	**(258)**	(348)
Balance at 30 June	**298**	556

Note 23. Contributed equity

	Consolidated 2015 Shares	Consolidated 2014 Shares	Consolidated 2015 $'000	Consolidated 2014 $'000
Ordinary shares - fully paid	**23,678,384**	23,678,384	**15,501**	15,501

At 30 June 2015 112,000 (2014: 82,682) shares were held under escrow. Expiry dates range between financial years ending 2016 and 2020.

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Balance	30 June 2014	23,678,384		15,501
Balance	30 June 2015	23,678,384		15,501

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.

Note 23. Contributed equity (continued)

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 2 dividends each year. The board reviews the group's position before declaring any dividend.

The cash to equity ratios at 30 June 2015 and 30 June 2014 were as follows:

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Cash and cash equivalents	**6,284**	1,369
Net cash	**6,284**	1,369
Total equity	**31,800**	29,219
Total capital	**31,800**	29,219
Cash to equity ratio	**20%**	5%

Note 24. Financial instruments

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.

Note 24. Financial instruments (continued)

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. 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 at 30 June 2015.

As at the reporting date, the following assets and liabilities were exposed to Australian variable interest rates:

	Weighted Average interest rate %	2015 $'000	Weighted Average Interest rate %	2014 $'000
Consolidated				
Cash and cash equivalents	2.50%	**6,284**	5.30%	1,369
Share loans	5.70%	**760**	5.70%	2,137
Loan Facility	7.00%	**361**	-	-
Net exposure to cash flow interest rate risk		**7,405**		3,506

A movement in interest rates of 1% (2014: 1%) would have an adverse/favourable effect on profit before tax of $74,050 (2014: $35,060) 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 the majority of 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.

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. $760,000 (2014: $2,137,000) of the share loans are receivable from two parties comprising an external consultant and a former executive employee of the group.

The loan facility was established to provide a cash advance facility to the borrower and the borrower has agreed to accept that advance and to repay it together with interest on the terms set out in the contract. The interest rate is 7% which is reviewed and calculated daily with the maturity date of the facility being 30 June 2017, or any earlier date on which money owing becomes payable.

Note 24. Financial instruments (continued)

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 ratio is disclosed in note 23 of these accounts.

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 2014						
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	2,371	259	488	764	3,882
Sundry payables and accruals	-	2,881	-	-	-	2,881
Payables to related parties	-	26	-	-	-	26
Other liabilities	-	150	406	-	-	556
Total non-derivatives		5,428	665	488	764	7,345
Balance at 30 June 2015						
Non-derivatives						
Non-interest bearing						
Trade and other payables	**-**	**2,316**	**249**	**1,004**	**-**	**3,569**
Sundry payables and accruals	**-**	**2,609**	**-**	**-**	**-**	**2,609**
Other liabilities	**-**	**161**	**137**	**-**	**-**	**298**
Total non-derivatives		**5,086**	**386**	**1,004**	**-**	**6,476**

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 approximates the carrying amount.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out in the remuneration report.

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 29.

Note 26. Remuneration of auditors

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

	Consolidated	
	2015	**2014**
	$	**$**
PricewaterhouseCoopers		
(i) Audit and other assurance services		
Audit and review of financial statements	**100,000**	113,000
(ii) Taxation services		
Tax compliance services	**14,040**	12,296
Total remuneration of PricewaterhouseCoopers	**114,040**	125,296

Note 27. Contingent liabilities

The group had $1,395,000 contingent liabilities as at reporting date (2014: $354,000), in respect of property leases.

Note 28. Commitments for expenditure

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	**2,123**	2,201
One to five years	**6,046**	4,382
More than five years	**1,915**	613
	10,084	7,196

Lease commitments – finance

As at 30 June 2015 and 30 June 2014 there were no commitments in relation to finance leases payable.

Note 29. Related party transactions

Parent entity
1300SMILES Limited is the parent entity.

The ultimate controlling entity is Dr Daryl Holmes who has a 62.13% (2014: 62.13%) interest in 1300SMILES Limited.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2015	**2014**
	$	**$**
Received for goods and services:		
DMA Commission revenues*	**645,999**	203,148
Dental management services**	**69,157**	77,308
Payment for other expenses:		
Rental expense paid to related parties**	**553,040**	506,042

*The group is party to an agreement on normal commercial terms and conditions with Dental Members Australia Pty Ltd to introduce and refer new members to the dental plan, in return for commission.

**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:

- Golden Arch Pty Limited ATF the Whistler Trust provides rental premises to an amount of $418,223 (2014: $419,229).
- Ashbourne Park Pty Limited ATF Daryl Holmes Superannuation Fund provides rental and storage premises to an amount of $134,817 (2014: $86,813).
- The company received revenue of $69,157 (2014: $77,308) for dental management services from Golden Arch (Qld) Pty Ltd for services provided under a Dental Service Agreement.

Included in operating lease commitments in note 28 is $470,560 committed to Ashbourne Park Pty Ltd over a period of 4 years and $1,079,274 committed to Golden Arch Pty Ltd over a period of 4 years.

Receivable from and payable to related parties
There were $286,000 (2014:$176,000) trade receivables and $182,000 (2014:$182,000) payables from related parties at the reporting date.

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

Other transactions
During the year, the group made payments of $415,982 (2014: $694,305) to Dentist Members Australia Pty Ltd for dental plans.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Parent entity information

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance Sheet		
Current assets	**7,629**	1,894
Total assets	**39,957**	38,092
Current liabilities	**6,276**	6,618
Total liabilities	**8,179**	9,095
Shareholders equity		
Contributed equity	**15,501**	15,501
Retained earnings	**16,277**	13,496
	31,778	28,997
Profit or loss for the year (after tax)	**6,779**	4,765
Total comprehensive income	**6,779**	4,765

(b) 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 2015 and 30 June 2014.

(c) Contingent liabilities of the parent entity
The parent entity had $1,395,000 (2014:$354,000) contingent liabilities as at 30 June 2015 in respect of property leases.

(d) Contractual commitments for the acquisition of property, plant or equipment
The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2015 and 30 June 2014.

Note 31. Business combinations

(a) Summary of acquisition

During the year ended 30 June 2015, there were no business acquisitions made.

Prior year disclosure relates to the acquisitions made on 7 April 2014, The Dental Practice on Amherst located in Cammeray, New South Wales and the BOH Dental Group located in Brisbane, Queensland which was acquired on 19 May 2014.

The purchase price allocation has been completed for the prior year acquisitions, the adjusted fair values of the acquired assets and liabilities are reflected below.

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

	2015 $'000	2014 $'000
Purchase consideration (refer to (b) below):		
Cash paid	-	8,375
Contingent consideration	-	400
Vendor finance	-	1,781
Total purchase consideration	-	10,556

The provisionally determined (2014) and final (2015) assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000	Fair value $'000
Property, plant and equipment	**3,326**	3,617
Goodwill	**7,420**	7,129
Inventories	**36**	36
Deferred tax asset	**56**	56
Employee provisions	**(294)**	(294)
Other	**12**	12
Net assets acquired	**10,556**	10,556

In 2014 goodwill had arisen from customer relationships that do not meet the definition of an identifiable intangible asset at the date of acquisition and synergies expected to be achieved from integrating the back office processing of the acquired practices with the existing business of 1300SMILES Limited. None of the goodwill is expected to be deductible for tax purposes. At the end of the current and prior year there have been no adjustments to this balance of goodwill.

Contingent consideration
In the event that certain pre-determined sales and profit targets are achieved by the Cammeray practice for the year ended 2015 through to 2017, additional consideration of up to $400,000 plus a sliding scale percentage of excess over benchmark EBIT (earnings before interest) achieved may be payable in cash between 2015 to 2017. This has been recognised as a contingent settlement payable at balance date. (Refer to note 22.)

Note 31. Business combinations (continued)

(b) Purchase consideration – cash outflow

	Consolidated	
	2015 $'000	2014 $'000
Cash used to acquire the Cammeray and BOH dental practices in 2014, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	10,556
Less: contingent consideration	-	(400)
Less: vendor finance	-	(1,781)
Net cash used	-	8,375

Acquisition-related costs
During the current year there are no acquisition-related costs (2014: $577,791) that are included in operating expenses in profit or loss and in operating cash flows in the statement of cash flows.

	Consolidated	
	2015 $'000	2014 $'000
Summary of cash payments:		
Cash paid for acquisition of practices	-	8,375
Net cash used	-	8,375

(c) Business combinations in the prior year

Additional details of practices acquired in the prior year are described in the financial statements of the group for the year ending 30 June 2014.

Note 32. Fair value measurement of financial instruments

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments 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:
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 and financial liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014 on a recurring basis.

		Consolidated	
		Level 3	Level 3
		2015	2014
	Note	$	$
Other liabilities			
Contingent consideration payable	**22**	**298**	556

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 2015.

(b) Valuation techniques used to derive level 3 fair values

The fair value of financial instruments not traded is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Discounted cash flow analysis is used to determine the fair value of contingent consideration payable.

(c) Fair value measurements using significant unobservable inputs (level 3)

	Consolidated 2015 $
Opening balance 1 July 2014	**556**
Additions through business combinations	**-**
Settled/utilised during the year	**(258)**
Closing balance 30 June 2015	**298**

(i) Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

The contingent consideration liability arose from the acquisition of the dental practices in Adelaide and Sydney. The following table shows the valuation technique and the key unobservable inputs used in the determination of fair value of the contingent consideration liability.

Note 32. Fair value measurement of financial instruments (continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value is determined considering the expected payment, discounted to present value using a risk adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	• Forecast annual revenue growth rate (5%) • Forecast EBITDA margin (5%) • Discount rate (4%)	The estimated fair value would increase if: • The annual revenue growth rate was higher • The EBITDA margin was higher • The risk adjusted discount was lower

Changing one or more of the significant unobservable inputs to reasonably possible alternative assumptions in the determination of fair value of contingent consideration liability would have the following effects. These effects have been calculated by recalibrating the values from the valuation technique using alternative estimates of unobservable inputs that might reasonably have been considered by a market participant to price the contingent consideration at the end of the interim reporting period. Any interrelationship between the unobservable inputs is not considered to have a significant impact within the range of reasonably possible assumptions.

(ii) Valuation processes

The finance department of the group includes a team that performs the valuations of non-property items for financial reporting purposes, including level 3 fair values. This team reports directly to the comptroller (C) and the board of directors (BD). Discussions of valuation processes and results are held between the C, BD, and the valuation team at least once every six months, in line with the group's half yearly reporting periods.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Contingent consideration – expected cash inflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the C, BD and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss
Annual revenue growth rate	0.5%	-
	(0.5%)	-
EBITDA margin	0.5%	-
	(0.5%)	-
Discount rate	4%	-
	(4%)	-

Note 33. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding 2015 %	Equity holding 2014 %
1300SMILES Limited (BOH) Pty Ltd	Australia	**100**	100

Note 34. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2015 $'000	Consolidated 2014 $'000
Profit after income tax expense for the year	**6,580**	4,987
Adjustments for:		
Capitalised interest on share loans	**-**	(8)
Net loss on sale of non-current assets	**53**	29
Write off of non recoverable deposits and other assets	**-**	31
Share of (profits)/losses of associates not received as dividends	**(2)**	64
Gain on derecognition of contingent consideration	**(108)**	(219)
Gain on acquisition	**-**	(105)
Depreciation and amortisation	**2,717**	2,278
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	**(158)**	(673)
(Increase) / Decrease in deferred tax assets	**403**	130
(Increase) / Decrease in other assets	**(48)**	138
Increase/(decrease) in trade and other payables	**(160)**	1,633
Increase/(decrease) in current tax payable	**(575)**	(28)
Decrease in other provisions	**-**	(95)
Decrease in GST payable	**-**	(6)
Net cash inflows from operating activities	**8,702**	8,156

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 59 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 2015 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 comptroller 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
Director

Townsville
18 August 2015

Independent auditor's report to the members of 1300SMILES Limited

Report on the financial report

We have audited the accompanying financial report of 1300SMILES Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 1300SMILES Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

(a) 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 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 18 of the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion

In our opinion, the remuneration report of 1300SMILES Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
18 August 2015

The shareholder information set out below was applicable as at 30 June 2015.

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	1,495
1,001 to 5,000	623
5,001 to 10,000	84
10,001 to 50,000	51
50,001 to 100,000	9
100,001 and over	14
	2,276
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	1,127,485	4.76
Evelin Investments Pty Ltd	980,000	4.14
Citicorp Nominees Pty Ltd	822,052	3.47
Upper Avalon Pty Ltd	359,000	1.52
Dr Russell Kay Hancock	330,000	1.39
Ashbourne Park Pty Ltd	265,402	1.12
B P J Investments Pty Ltd	250,000	1.06
Ashbourne Park Pty Ltd	235,300	0.99
BNP Paribas Noms Pty Ltd	164,652	0.70
National Nominees Ltd	119,179	0.50
HSBC Custody Nominees	105,451	0.45
ABN AMRO Clearing Sydney Nominees Pty Ltd	103,422	0.44
Landel Pty Ltd	100,580	0.42
Basruah Pty Ltd	100,000	0.42
Mr Morris Jeffrey Marrinon + Mrs Ingrid Margrethe Marrinon	100,000	0.42
Golden Arch (QLD) Pty Ltd	94,190	0.40
Mr Kent Gush	80,000	0.34
Gang – Gang Pty Ltd	78,875	0.33
Mr Kevin John Holmes + Mrs Janita Dawn Holmes	75,829	0.32
	19,608,254	82.81

There are no unquoted equity securities.

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

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:

Month	2015	2016	2017	2018	2019	2020
January	-	4,000	4,000	4,000	-	-
February	-	-	-	-	-	-
March	-	-	-	-	-	-
April	-	-	-	-	-	-
June	-	-	-	-	-	-
September	15,000	15,000	15,000	15,000	20,000	20,000
October	-	-	-	-	-	-
November	-	-	-	-	-	-
December	-	-	-	-	-	-
Annual payment	15,000	19,000	19,000	19,000	20,000	20,000
Total payments						**112,000**