Appendix 4D

Half yearly report

Name of entity

1300SMILES Limited

ABN or equivalent company reference	Half year ended ('current reporting period')	'Previous corresponding period'
91 094 508 166	31 December 2015	31 December 2014

Results for announcement to the market

				$A'000
Revenues from ordinary activities	Up	3%	To	19,027
Profit from ordinary activities after tax attributable to members	Up	20%	To	4,059
Net profit for the period attributable to members	Up	20%	To	4,059

Dividends

The company has declared a fully franked interim dividend of 11 cents per share in relation to the half-year ended 31 December 2015.

Confirmation of the Interim Dividend details:

• Dividend amount per security	11 cents
• Franked amount per security	100%
• Date Interim Dividend declared	11 February 2016
• Date that the shares (ASX code : ONT) will trade ex-dividend	9 March 2016
• Record Date for determining entitlement to dividend	10 March 2016
• Payment Date	18 March 2016

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	50.9 cents	37.8 cents

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholders

I am pleased to present to you the results for the first half of the 2016 financial year. The results are good.

Most notable among the period's results is the fact that Net Profit Before Tax, Net Profit After Tax, and Earnings Per Share are each up by about 20% on the previous year's first half.

Financial results for the half year ended 31 December 2015

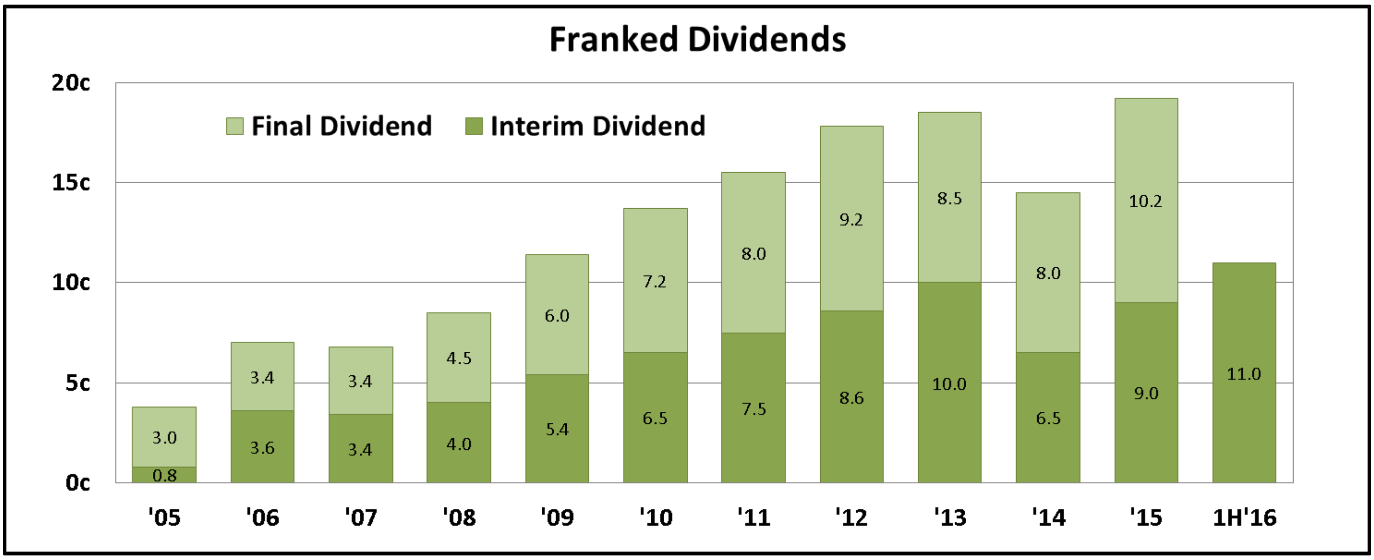
Compared to the half year ended 31 December 2014, our results for the half year ended 31 December 2015 were as follows:

- Revenue (Statutory) up 3% to $19 million
- Earnings Per Share up 20% to 17.1c per share
- EBIT up 19% to $5.8 million
- Bank debt unchanged at $0
- NPAT up 20% to $4.1 million
- Dividend (interim) up 22% to 11c per share, fully franked
- EBITDA up 11% to $7.0 million
- Cash on hand $7.4 million

Dividend

As always, your directors have set the dividend to meet a number of objectives. Foremost among these objectives is our commitment to ensure that shareholders share in the real results of the business, as they would if they owned the entire business. As any good owner would do, we always seek to balance the urge to pay the biggest possible dividend with the need to ensure that our business stays on the strongest possible footing.

This latest interim dividend, at 11c, is the largest dividend we have ever paid, interim or final. This dividend reflects our belief that 1300SMILES is stronger than ever before.

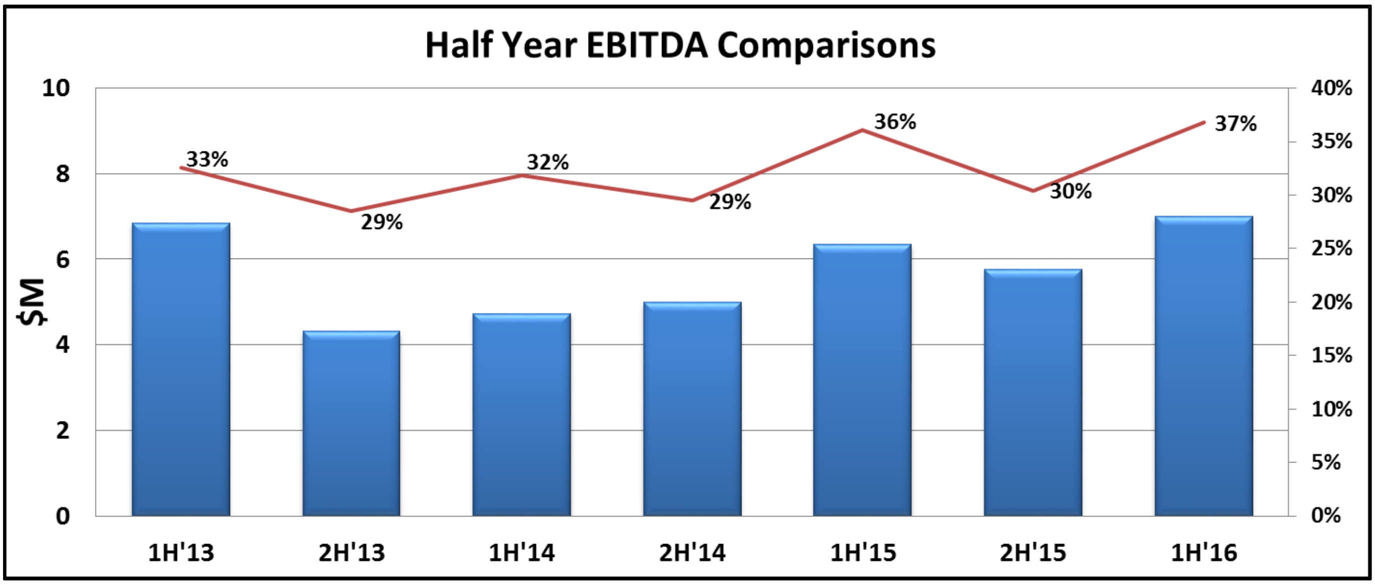


Revenue Growth and Efficiency

Shareholders will notice that this significant increase in NPAT, EPS, and EBITDA has been delivered in a period in which our Revenue growth was modest (3%). While I'll be the first to say that I want to see Revenue growth in every reporting period, I would also note that our improved profitability in a spell of low growth reflects well on our business. After all, it's easy to set new profit records when Revenue is growing fast.

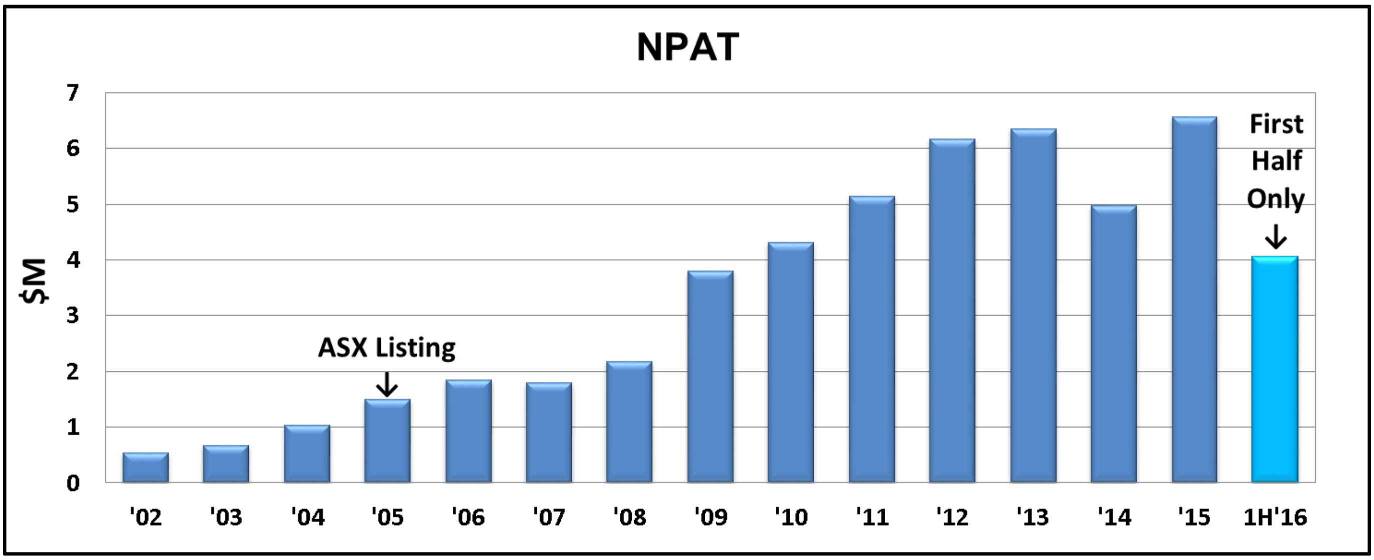
Improving our profit results in a time of relatively flat revenue, however, reflects important core strengths of our business. These include our growing control over the prices we pay for goods and services, our fierce and never-ending focus on the efficient use of all resources, and the ability of our managers to improve staff productivity at every level.

In addition, we have made significant investments in digital imaging platforms and other clinical and managerial technologies. We make these capital investments for the purpose of improving patient care and reducing our operating expense, and I believe our first half results provide evidence that this technology investment is paying off.



As I have pointed out many times before, the money people spend on dental services is the same money they might spend on other consumer goods and services. Obviously people will still get their urgent dental work done, but spending on routine dental care competes with the temptation to buy a new TV, take a holiday in Bali, or just stay home and pay down the mortgage.

We have always understood that our business is subject to some of the same cyclical movements as other consumer-facing businesses and I believe we do a good job of managing the business of 1300SMILES accordingly.



Private health insurance and the dental industry

Many of our patients use their private health fund extras cover to pay for our services. In most cases this works fine for our patients and fine for us.

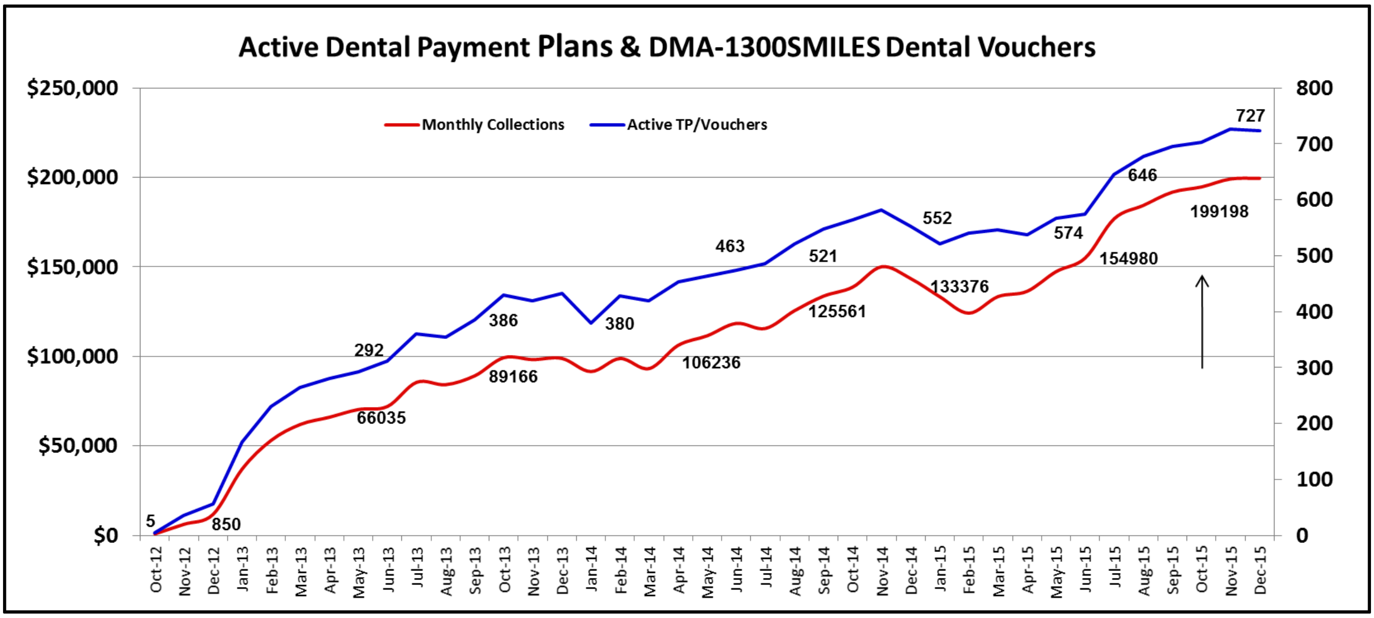
On a broader scale, however, there is a lot of friction between the private health funds and the dental industry generally. The health funds are still developing their approaches to dentistry, making it hard for some dentists to work out whether the health funds are friend or foe. Some dentists have gone all-in with a health fund, and I suspect that many of these dentists are starting to understand the downside of giving away too much control. Other dentists now find their businesses shrinking because a health fund has opened its own large dental clinic and funnels all of its local members to that clinic.

In the other corner there are dentists who regard the health funds as incarnations of the devil and wish to have no dealings with them at all.

Through all of this we continue to take a measured approach to dealing with the private health insurers. Dentists within 1300SMILES have complete freedom to make their own individual choices about whether and how they take on health fund dental work. The combined experiences of our dentists keep us all well-informed and well-positioned to deal with the evolving relationship between dentistry and private health insurers.

Making Dentistry Affordable

Many of our patients choose to take control of the cost of their dental care by using our $1-a-day Dental Care Plan or our 1300SMILES DMA Dental Vouchers for more elaborate treatment as required.



The best way to control the cost of dental care, of course, is to prevent serious dental problems. The best way to do that is to pursue a course of regular preventive dental care. Our $1-a-day care plan covers the full cost of two annual check-ups and cleans (and x-rays if required). This plan allows people to get optimum dental care without any surprise expense, and I'm sure this plan contributes to better dental health, reduces the cost of dentistry to patients, and contributes to the growth of profitable revenue for 1300SMILES.

For those people who do require more extensive dental treatment, our 1300SMILES DMA Dental Vouchers enable people to control the cost of necessary treatments and spread the expense, interest free, over an extended period. The enthusiasm with which the voucher program has been received continues to impress us. Annualised voucher sales in December 2015 alone, for example, were sufficient to fund a full year's work for five or six productive dentists. In an era of restrained consumer spending, as noted above, the voucher program clearly enables essential dental work which might otherwise be deferred.

While the $1-a-day Dental Care Plan and the 1300SMILES DMA Dental Vouchers are not insurance products, they clearly give patients an alternative approach to controlling the cost of dental services while ensuring that they have access to ongoing preventative care and more extensive care when needed.

Outlook

There are many different ways to say this, but the core truth is that we both expect more of the same and will work hard to deliver more of the same. We aim for continuing growth on all fronts. We anticipate that issues will arise among dental industry operators and private health insurers. We recognise that state and commonwealth governments may or may not develop a coherent approach to dentistry. Through it all we will continue to apply our experience, energy, and flexibility to the task of delivering excellent dentistry and good results for our shareholders, dentists, and staff.

From the top to the bottom of our company we will maintain our focus on making dentistry accessible, available, and affordable. We don't have to invent a new way to do this every year, and we will continue to pursue growth as we have for many years, through:

- organic growth: the constant process of increasing the delivery of quality patient services through each of our facilities, accommodating more dentists and assisting all dentists to increase their individual revenue.

- selective acquisition: our constant pursuit of potential acquisitions through which we consider all opportunities but proceed only with those which meet our strict standards.

- our $1-a-day Dental Care Plan and our 1300SMILES DMA Dental Vouchers, which help us achieve our key objectives of making dentistry affordable and increasing patient numbers.

Youth With A Mission

1300SMILES has supported YWAM for many years now. YWAM has just marked another major milestone with the launch of their newest ship, the MV YWAM PNG. This former cruise ship has been transformed into a brand new four chair dental clinic and day procedure surgery for optical care and general emergency care. This unit will provide thousands of people in Papua New Guinea access to dentistry, eye care, and general medical care--care which would otherwise be completely unobtainable.

1300SMILES is proud to partner with YWAM, and we wish to thank the other major sponsors Henry Schein Halas and Planmeca for their generous donation of four dental chairs, along with Cattani Air Technology for their donation of suction and steriliser units for this wonderful new clinic. We also acknowledge the generous support of many other dentists and dental suppliers who have made this new dental clinic a reality.

Thank you

As always I express my enthusiastic thanks to all of our hard working dentists, clinical staff, and management staff, all of whom have worked hard to deliver the good results reported here. I also thank you, our shareholders, for your continuing trust and support.

Yours faithfully

Dr 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.

DIRECTORS' REPORT

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 half-year ended 31 December 2015.

DIRECTORS

The following persons were directors of 1300SMILES Limited during the whole of the half-year and up to the date of this report:

Robert Jones (Non-Executive Chairman)
Dr. Daryl Holmes (Executive Director)
Dr. Glen Richards (Non-Executive Director)

Mr William Bass was a director and company secretary from the beginning of the financial year until his resignation on 30 September 2015.

The company secretary is Mr Bryan Dulhunty. Mr Dulhunty was appointed to the position of company secretary on 30 September 2015. Mr Dulhunty is the founding director of CoSA Life Sciences, a company specialising in providing company secretarial and CFO services to listed companies in the health sector.

REVIEW OF OPERATIONS

The profit for the group after providing for income tax amounted to $4,059,000 (31 December 2014: $3,384,000).

Detailed comments on operations up to the date of this report are included separately in the Interim Financial Report. Please refer to the Letter from the Managing Director.

FY2016 OUTLOOK

Likely developments and expected results of operations include:

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

We see a clear path to profitable growth of the established sorts (organic growth, selective acquisition, and the Dental Care Plan) and we are also working hard on a number of new opportunities.

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 7.

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 and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Dr. Daryl Holmes
Director

Townsville
11 February 2016

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015, there have been:

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

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

PKF HACKETTS AUDIT

Shaun Lindemann
Partner

Brisbane, 11 February 2016

PKF Hacketts Audit
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CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Notes	Half-year 2015 $'000	2014 $'000
Revenue from continuing operations			
Services	6	18,401	18,255
Other revenue	6	626	198
		19,027	18,453
Expenses			
Employee benefits		(6,891)	(6,476)
Consumables, lab fees and other supplies		(1,808)	(1,945)
Operations		(1,794)	(2,119)
Property		(1,275)	(1,305)
Depreciation and amortisation		(1,173)	(1,437)
Business growth and development		(21)	(37)
Corporate and administration		(216)	(249)
Finance costs		(59)	-
Profit before income tax		5,790	4,885
Income tax expense		(1,731)	(1,501)
Profit for the half-year		**4,059**	3,384
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the half year		**4,059**	3,384
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		17.14	14.29
Diluted earnings per share		17.14	14.29
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		17.14	14.29
Diluted earnings per share		17.14	14.29

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	31 December 2015 $'000	30 June 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		7,431	6,284
Trade and other receivables	7	1,821	1,230
Inventories		21	26
Current tax asset		442	-
Other		141	771
Total current assets		9,856	8,311
Non-current assets			
Loans receivable		869	485
Investment accounted for using the equity method	8	293	270
Property, plant and equipment	9	8,844	9,721
Intangible assets	10	21,114	21,227
Deferred tax assets		272	70
Total non-current assets		31,392	31,773
Total assets		41,248	40,084
Liabilities			
Current liabilities			
Trade and other payables		5,385	5,605
Current tax liability		-	283
Provisions		519	549
Other liabilities		161	161
Total current liabilities		6,065	6,598
Non-current liabilities			
Trade and other payables		1,312	1,253
Provisions		290	296
Other liabilities		137	137
Total non-current liabilities		1,739	1,686
Total liabilities		7,804	8,284
Net assets		33,444	31,800
Equity			
Contributed equity		15,501	15,501
Retained profits		17,943	16,299
Total equity		33,444	31,800

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

2014	**Notes**	**Contributed equity $'000**	**Retained profits $'000**	**Total $'000**
Balance at 1 July 2014		15,501	13,718	29,219
Profit for the half year		-	3,384	3,384
Other comprehensive income		-	-	-
Total comprehensive income for the half-year		-	3,384	3,384
Transactions with owners in their capacity as owners:				
Shares issued		-	-	-
Share issue costs		-	-	-
Dividends paid during the half-year	5	-	(1,894)	(1,894)
Balance at 31 December 2014		15,501	15,208	30,709

2015	**Notes**	**Contributed equity $'000**	**Retained profits $'000**	**Total $'000**
Balance at 1 July 2015		**15,501**	**16,299**	**31,800**
Profit for the half year		**-**	4,059	4,059
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income for the half-year		**-**	4,059	4,059
Transactions with owners in their capacity as owners:				
Shares issued		**-**	**-**	**-**
Share issue costs		**-**	**-**	**-**
Dividends paid during the half-year	5	**-**	(2,415)	(2,415)
Balance at 31 December 2015		15,501	17,943	33,444

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Notes	Half-year 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,305	18,357
Payments to suppliers and employees (inclusive of GST)		(12,195)	(12,097)
		6,110	6,260
Interest received		108	67
Interest and other finance costs paid		(59)	-
Income taxes paid		(2,660)	(1,566)
Net cash from operating activities		3,499	4,761
Cash flows from investing activities			
Proceeds on sale of assets		294	86
Repayments of investment share loans		278	1,714
Investments in share loans		(26)	(303)
Payments for property plant and equipment		(340)	(356)
Payments for intangible assets		(143)	(408)
Net cash from investing activities		63	733
Net cash from financing activities			
Dividends paid		(2,415)	(1,894)
Net cash used in financing activities		(2,415)	(1,894)
Net increase in cash and cash equivalents		1,147	3,600
Cash and cash equivalents at beginning of the half year		6,284	1,369
Cash and cash equivalents at end of the half-year		7,431	4,969

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note 1: Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by 1300SMILES Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

(b) Impact of standards issued but not yet applied by the entity

AASB 9 Financial instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

Following the changes approved by the AASB in December 2014, the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The group has not yet assessed how its own impairment provisions would be affected by the new rules, and it has not yet decided whether it should adopt AASB 9 before its mandatory date. Based on the transitional provisions in the completed AASB 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note 1: Basis of preparation of half-year report (continued)

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.

Management are currently assessing the impact of the new rules. 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. The group does not expect to adopt the new standard before 1 July 2017.

(c) Comparative Amendments

Some account classifications have been changed in the current period in order to improve the accuracy of presentation. Comparative figures have also been reclassified for consistency.

Note 2: Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affected 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. At 31 December 2015, there have been no changes to 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 calendar year, to those disclosed in the annual report for the year ended 30 June 2015.

Note 3: Segment information

Description of 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 operating segment derives revenue from dental and management services within a particular geographic area. Each operating segment is aggregated into the one reportable segment as the long-term financial performance and economic characteristics of each operating segment are similar.

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

Note 4: Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 December 2015 is 30%, compared to 30% for the six months ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note 5: Dividends

	Half-year 2015 $'000	2014 $'000
(a) Dividends provided for or paid during the half year		
Fully franked final dividend of 10.2 cents (2014: 8.0 cents) for the year ended 30 June 2015 paid on 16 October 2015.	2,415	1,894
(b) Dividends not recognised at the end of the half year		
In addition to the above dividends, since the end of the half-year, the directors have recommended the payment of an interim dividend of 11 cents per fully paid ordinary share (2014: 9.0 cents per share), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 March 2016 out of retained earnings at 31 December 2015, but not recognised as a liability at the end of the half year, is:	2,605	2,131

Note 6: Revenue and other income

	Half-year 2015 $'000	2014 $'000
(a) Sales revenue from continuing operations		
Service fees	18,401	18,255
(b) Other revenue		
Interest revenue	108	67
Other revenue	130	160
Profit on disposal of assets	365	-
Share of profit in joint ventures accounted for using the equity method	23	(29)
	626	198

Note 7: Trade and other receivables

	31 December 2015 $'000	30 June 2015 $'000
Trade receivables	1,429	535
Membership and treatment plan receivables*	404	746
Provision for doubtful debts	(12)	(51)
	1,821	1,230

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note 7: Trade and other receivables (continued)

* 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. At 31 December 2015, receivables balance is inclusive of payments received but not yet applied to outstanding invoices (30 June 2015 receivables was exclusive of unapplied payments).

Impairment of receivables
The Group has recognised a provision for doubtful debts in respect of impairment of receivables in the current year.

Past due but not impaired
Customers with balances past due amount to $217,000 (30 June 2015: $220,000). These past due debtors were all 1 to 3 months overdue.

Note 8: Investment accounted for using the equity method

	31 December 2015 $'000	30 June 2015 $'000
Shares in Dental Members Australia Pty Ltd (ownership interest 33%)	293	270

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 table below provides summarised financial information for the 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. The Group's share of profit from its equity accounted investment for the half year was $23,000 (30 June 2015 gain of $1,000). The Group did not receive any dividends from its equity accounted investment during the half year.

	31 December 2015 $'000	30 June 2015 $'000
Investment in joint venture		
Opening balance	270	269
Share of profit/ (loss) from investment in joint venture	23	1
	293	270

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note 9: Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 30 June 2015			
Cost or fair value	15,135	4,810	19,945
Accumulated depreciation	(7,394)	(2,830)	(10,224)
Net book amount	7,741	1,980	9,721
At 31 December 2015			
Cost or fair value	15,057	4,549	19,606
Accumulated depreciation	(7,910)	(2,852)	(10,762)
Net book amount	7,147	1,697	8,844

Note 10: Intangible assets

	31 December 2015 $'000	30 June 2015 $'000
Cost	22,402	22,312
Accumulated amortisation	(1,288)	(1,085)
	21,114	21,227

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

Note 11: Contingencies and commitments

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

Note 12: Related party transactions

The Group is party to an agreement on normal commercial terms and conditions with Dental Members Australia Pty Ltd in return for commission. During the half-year ended 31 December 2015, the company did not enter into any significant transactions with related parties. There were no significant changes to the nature and extent of related party transactions declared in the annual report for the year ended 30 June 2015.

Note 13: Events occurring after balance sheet date

As outlined in Note 5(b), the Directors have recommended an interim full-franked dividend of 11 cents per fully paid ordinary share. There have been no other matters or circumstances not otherwise dealt with in this report that will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The financial statements and notes set out on pages 8 to 16 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 31 December 2015 and of its performance for the half-year ended on that date and;

(b) There are reasonable grounds to believe that 1300SMILES Limited will be able to pay its debts as and when they become due and payable.

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

Dr. Daryl Holmes
Director

Townsville
11 February 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of 1300SMILES Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated balance sheet as at 31 December 2015, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 1300SMILES Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PKF Hacketts

PKF HACKETTS AUDIT

Shaun Lindemann
Partner

Brisbane, 11 February 2016