Appendix 4D

Half yearly report

Name of Entity	**1300SMILES Limited**
ABN	91 094 508 166
Half year ended ('current reporting period')	31 December 2017
Previous Corresponding Period	31 December 2016

Results for Announcement to the Market

	$'000	**Percentage increase/ (decrease) over previous corresponding period**
Revenue from ordinary activities	19,750	9.6%
Profit / (loss) from ordinary activities after tax attributable to members	3,938	4.0%
Net profit / (loss) for the period attributable to members	**3,938**	**4.0%**

Dividends

The company has declared a fully franked interim dividend of 12 cents per share in relation to the half-year ended 31 December 2017.

Confirmation of the Interim Dividend details:

Dividend amount per security	12 cents
Franked amount per security	100%
Date interim dividend declared	20 February 2018
Date that shares (ASX code: ONT) will trade ex-dividend	19 March 2018
Record date to determine entitlement to the dividend	20 March 2018
Date the dividend is payable	28 March 2018

NTA Backing

	Current Period	**Previous corresponding period**
Net tangible asset backing per ordinary security	40.0 cents	50.2 cents

1300 SMILES Dentists

INTERIM FINANCIAL REPORT

For the half-year ended

31 December 2017

1300 SMILES Stadium

1300 Smiles™

We Care

Contents

Managing Director's Letter
For the half year ended 31 December 2017

Dear Shareholders,

The first half of the 2018 financial year has delivered solid, positive results on all key measures.

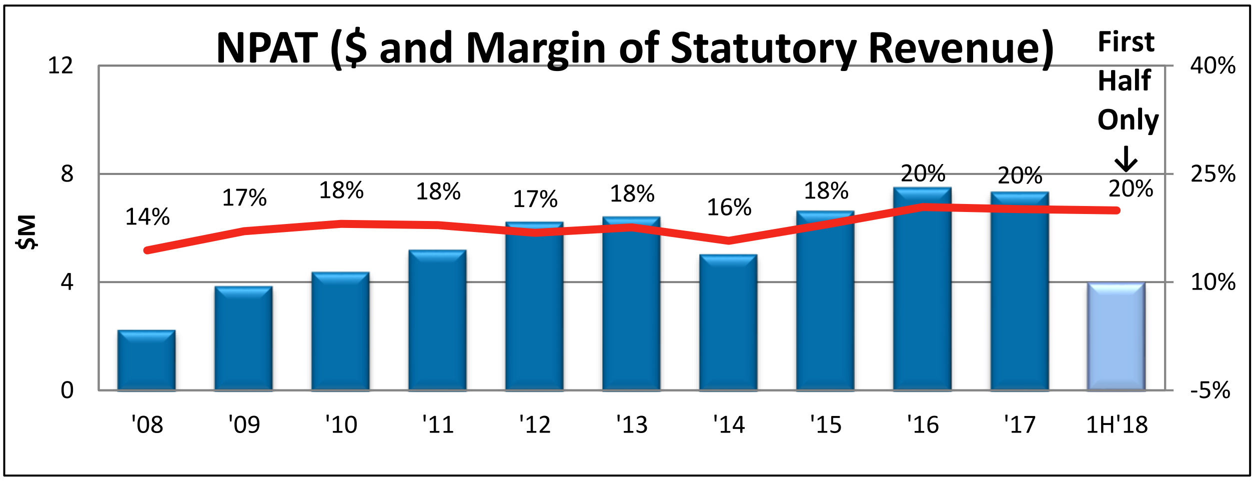
Perhaps the most notable change since my letter of this time last year is that the number of acquisitions we have completed over the past twelve months is significantly higher than in the past few years. As always, I emphasise that we never lower our demanding standards simply to increase the number of acquisitions. The past twelve months have offered us a large number of attractive opportunities, for a variety of reasons I'll discuss further later in this letter.

Before we address the specific numbers, let me give you my impression of how our company has changed in the past year. I believe that we now have the best management team we've ever had, and that the foundation of our business is now more solid and safer than ever before. I'm well aware that shareholders don't pay me to deliver excitement and that you'd rather see growing and secure returns over the long term. Over the past year we have certainly achieved that objective.

Financial results for the half year to 31 December 2017

- Revenue (Statutory) up 9.7% to $19.8 million
- Revenue (OTC) up 9.6% to $28.0 million
- NPBT up 5.5% to $5.6 million
- EBITDA up 5% to $6.7 million
- NPAT up 4.0% to $3.9 million
- Earnings per Share up 4.0% to 16.6 cps
- Interim dividend up 7% to 12 cps
- Bank debt at $4.2 million

Earnings & profit

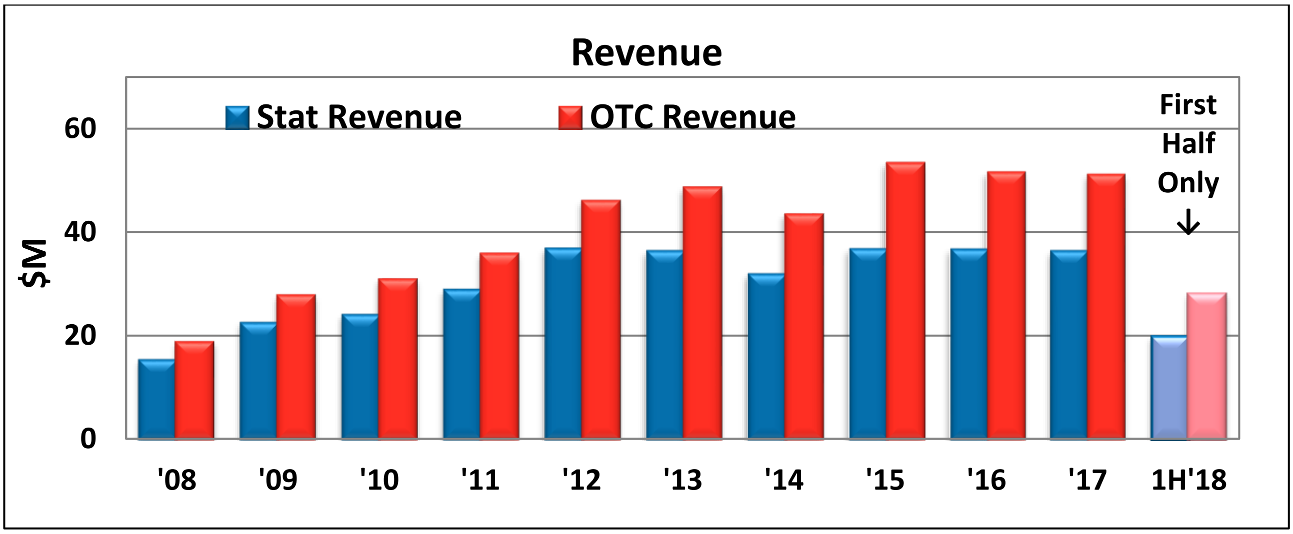


Managing Director's Letter
For the half year ended 31 December 2017

Shareholders will notice that our Earnings Before Tax increased by 5.5% while our NPAT increased by 4.0%. This results mainly from the sort of tax timing issue we see from one year to the next. Our effective tax rate for the first half of the current year was 29.8%, up one full percentage point from the previous first half's 28.8%.

There's nothing untoward in this sort of variation, and the benefits and costs to us balance out over time.

Shareholders will also be aware that in some years there are significant variations between the rate of growth of our Statutory Earnings and that of our Over-the-Counter (OTC) Earnings. When these differ, I remind shareholders that the OTC figure is the better measure of the scale of our business, as it reflects the total amount all of our customers have paid for services we render.



	'08	'09	'10	'11	'12	'13	'14	15	16	17	1H'18
OTC Revenue ($m)	18.6	27.6	30.7	35.7	45.9	48.5	43.3	53.2	51.4	51.0	28.0
Less amount retained by self-employed Dentists ($m)	3.4	5.3	6.8	6.9	9.2	12.3	11.5	16.6	14.9	14.8	8.2
Statutory Revenue ($m)	15.2	22.4	23.9	28.7	36.7	36.2	31.8	36.6	36.5	36.2	19.8

In the current period, Statutory and OTC Revenue grew at 9.7% and 9.6% respectively. The fact that these growth rates nearly match for the current period is neither good nor bad, and we can expect these rates to diverge in the future as they have in the past.

Cash & debt

At the end of the current period our cash balance stood at $4.8 million, down from $8.6 million one year earlier. This is good news, because it means we've found good acquisitions to which we have allocated some of our cash reserves.

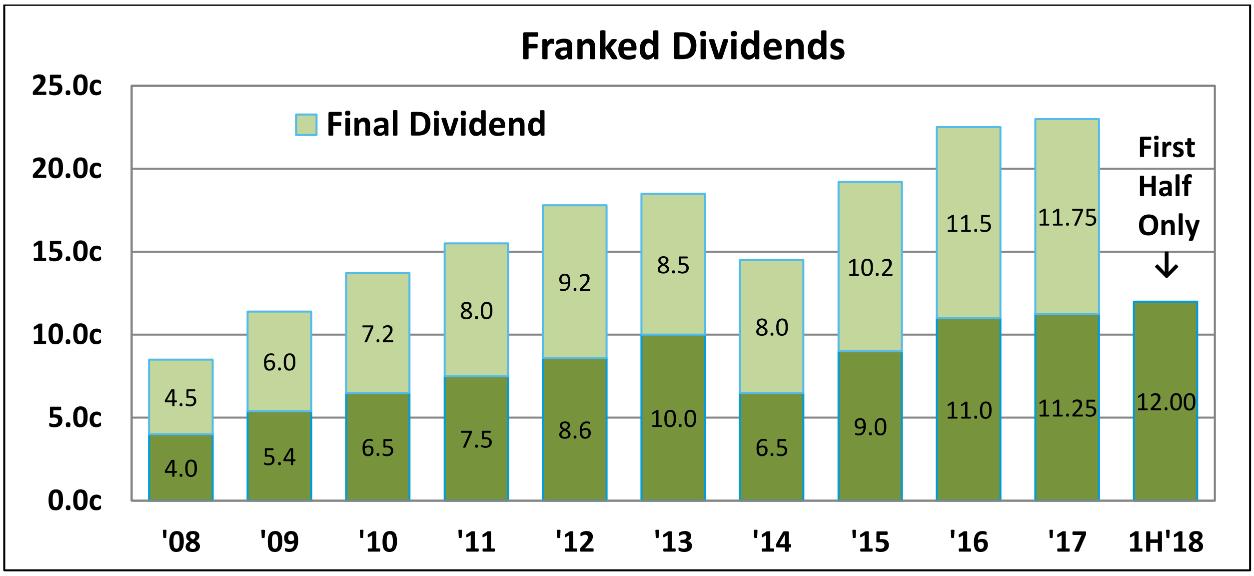
In the course of making the recent acquisitions we also drew on our existing loan facilities, finishing the first half with bank debt of $4.2 million.

Our business is cash flow positive. Our gearing remains modest by any reasonable standard.

We remain able to complete acquisitions on any scale we can foresee thanks to our cash balance and the unused portion of our established credit lines.

Dividend

In addition to rewarding our shareholders for their support of our company, I regard the dividend as a key part of our communication with shareholders. The increase in our interim dividend to 12c per share, fully franked, reflects the core strengths of our business and the board's belief that there is no reason to expect these core strengths to diminish.



In setting the dividend, we considered all of these factors:

- our business generates positive cash flow
- we expect continuing organic growth from our established centres
- we expect to complete an ongoing series of acquisitions over the coming years
- our gearing is modest with all borrowings allocated exclusively to income-producing assets
- we have the ability to complete all acquisitions which meet our standards
- the outlook for our business remains positive
- we are committed to treat shareholders as the true owners of our business.

Acquisitions & growth

As mentioned above, our company has completed a number of solid acquisitions over the past year, many of them in the half-year period which is the subject of this report. We announce these acquisitions to the market as they are completed, but I note a few examples here:

- orthodontic practices in Chatswood (Sydney) and Bathurst, NSW, completed at the end of June 2017 and included in the current period's results.

- established dental practices in Maleny (Sunshine Coast hinterland), Roma, and Gladstone, all in Queensland, acquired in October 2017 and so making only a partial contribution to the current half-year results. These practices together are expected to deliver annual revenue of approximately $4 million.

- an established dental practice in the sugar centre of Ingham, Queensland, completed in December 2017 and so making only a slight contribution to the current half-year result.

- subsequent to the end of the period, a dental practice in Buderim (Sunshine Coast), Queensland, expected to be completed in March 2018.

All of these will contribute, to varying degrees, to the full year 2018 results and we expect all of them to make positive contributions.

Our industry

Last year at this time I reported my belief that our industry was under stress, and that on balance this stress worked in favour of 1300SMILES. So far that view has proved to be about right.

One of the essential relationships which we simply must get right is that between our company and the dentists who choose to base their practices within our facilities. Of the major players in the dental industry, there is now only one--1300SMILES Ltd--whose chief executive is a practising dentist. While that's not everything, it certainly counts for something.

I still work as a dentist in one of our practices every week. I maintain immediate, practical, and personal awareness of the issues affecting our dentists. This doesn't guarantee that a dentist will choose to work with our company instead of one of the others, but I am confident that it is a positive factor.

1300SMILES Ltd grew from a desire to manage multiple dental practices in the best way possible, maximising efficiency and profitability while optimising dentist and patient satisfaction. These objectives are entirely compatible.

We are dentists and practice managers first and foremost. I believe this makes us different from some of the other dental operators, many of whose managers come from outside the industry and some of whom may see a dental operation as an asset to be traded for the right price.

For several years we have watched as certain players in the dental services market paid prices for dental practices which look way too high to us. While we can never know exactly what motivates this sort of buying, we can speculate that the desire to establish a permanent presence in the dental market is not the top objective of some of these players.

Our approach gives us the ability to be patient and sensible. When others are acquiring practices for silly amounts, we simply step back and let someone else do the buying. The dentists involved sometimes pocket plenty of money--and I'm happy for them--but as their contracts with other companies come to an end these capable dentists are increasingly coming available once again.

The consolidation of the dental market is nowhere near complete. In the end there will be a number of quality corporate dental operators (increasingly known as DSOs "Dental Service Organisations"), and there will be a persistent rump of owner-operators working out of small surgeries here and there. I cannot say how the Dental Service Organisation segment of the dental market will be divided among the key players, but we can be confident there will be further change.

We will continue to pursue our proudly conservative financial practices and our strict approach to potential acquisitions to ensure that our company is in a strong position to deal with the ongoing evolution of our industry.

Outlook

Based on the opportunities before us, it would appear that the number of promising acquisition candidates will remain solid for some time to come. As always, we will make only those acquisitions which make immediate and lasting contributions to our revenue, profit, and core strength. We will never pursue sub-standard acquisitions merely for the sake of increasing the number of practices we operate.

A year ago it seemed to me that the political situation was about as bad as it could get. I was wrong about that. As our federal and state governments continue to explore new depths of incompetence and depravity we find that our economy somehow persists.

Our government could surely take fewer steps to harm consumers and businesses, but the economy upon which we all depend seems to keep ticking over. I'm tempted to imagine that the political situation can only get better, as one wouldn't think it could get much worse, but we're committed to manage our business to meet economic conditions as we find them and protect the interests of our shareholders as best we can.

Board & management

I mentioned at the top of this letter that I am extremely pleased with the quality of our management, which I believe is the best it has ever been.

At the board level, we welcomed two new directors at our Annual General Meeting of 23 November 2017, Evonne Collier and Jason Smith. Evonne and Jason bring abundant experience and plenty of energy to our ever-compact board of directors. It's a pleasure to work with them and they share my commitment to putting shareholders first. Please see further information about our new directors in our announcements of 23 November 2017.

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 (OBE)
Managing Director

Director's Report

For the half year ended 31 December 2017

ABOUT 1300SMILES LTD

OVERVIEW OF THE COMPANY'S BUSINESS

1300SMILES Limited 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.1300smiles.com.au/careers.

Director's Report

For the half year ended 31 December 2017

DIRECTOR'S 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 2017. 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 half-year and up to the date of this report, unless otherwise noted;

Robert Jones (Non-Executive Chairman)
Dr Daryl Holmes (Managing Director)
Dr Glen Richards (Non-Executive Director) (Resigned 23 November 2017)
Evonne Collier (Non-Executive Director) (from 23 November 2017)
Jason Smith (Non-Executive Director) (from 23 November 2017)
Gina Bozinosvki (Company Secretary)

Ms Collier has 25 years' senior executive experience working within blue-chip local and multinational companies in the FMCG, Health/Pharmaceutical and entertainment/Technology sectors. Ms Collier has extensive board and executive experience with ASX and large shareholder based businesses. Ms Collier currently serves as an Elected Councillor of the Hospitals Contribution Fund of Australia Limited as well as Director of Brisbane Markets Limited and Winson Group.

Mr Smith is founder and Executive Chairman of Backs In Motion Health Group and is author of international best seller "Get Yourself Back in motion" a physiotherapist's secrets to pain relief and optimal health. Mr Smith is a member of the Franchise Council of Australia, the Australian Physiotherapy Association, various CEO groups and special interest business forums.

Review of operations

The profit for the group after providing for income tax amounted to $3,938,000 (31 December 2016: $3,785,000).

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.

FY2018 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 10.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations Instrument 2016/191, 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 in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Director's Report
For the half year ended 31 December 2017

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

Dr Daryl Holmes (OBE)
Director
Townsville
20 February 2018

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 2017, 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

PKF HACKETTS AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
DATE: 20 FEBRUARY 2018

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

Consolidated statement of comprehensive income
For the half year ended 31 December 2017

	Note	Half-year 2017 $'000	Half-year 2016 $'000
Revenue from continuing operations			
Services	6	**19,680**	18,011
Other	7	**70**	-
		19,750	18,011
Expenses			
Consumables, lab fees and other supplies		**(2,235)**	(1,821)
Employee benefits expense – Dentists		**(1,773)**	(1,631)
Employee benefits expense – all others		**(5,466)**	(5,186)
Depreciation and amortisation expense		**(1,054)**	(1,030)
Property expenses		**(1,423)**	(1,203)
Operating expenses		**(1,843)**	(1,650)
Corporate and administrative expenses		**(292)**	(179)
Finance costs		**(73)**	(71)
		(14,159)	(12,771)
Share of net profit / (loss) of associates	10	**20**	78
Profit before income tax expense		**5,611**	5,318
Income tax expense	4	**(1,673)**	(1,533)
Profit for the half-year		**3,938**	3,785
Other comprehensive income		-	-
Total comprehensive income for the half-year		**3,938**	3,785
		Cents	**Cents**
Earnings per share:			
Basic earnings per share		**16.63**	15.98
Diluted earnings per share		**16.63**	15.98

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

Consolidated balance sheet

As at 31 December 2017

	Note	31 December 2017 $'000	30 June 2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		**4,840**	5,733
Trade receivables	8	**2,610**	2,012
Current tax asset		**-**	18
Inventories		**18**	19
Other		**611**	502
Loans receivable	9	**1,335**	500
Total current assets		**9,414**	8,784
Non-current Assets			
Loans receivable	9	**2,468**	1,963
Investments accounted for using the equity method	10	**-**	400
Property, plant and equipment	11	**10,423**	8,714
Intangible assets	12	**27,755**	25,768
Total non-current assets		**40,646**	36,845
Total Assets		**50,060**	45,629
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**5,830**	6,961
Current tax liability		**118**	-
Provisions		**614**	482
Other liabilities		**100**	100
Total current liabilities		**6,662**	7,543
Non-current Liabilities			
Trade and other payables	13	**764**	776
Borrowings	14	**4,161**	-
Deferred tax liabilities		**254**	277
Provisions		**399**	368
Other liabilities		**560**	560
Total non-current liabilities		**6,138**	1,981
Total Liabilities		**12,800**	9,524
Net Assets		**37,260**	36,105
EQUITY			
Contributed equity		**15,501**	15,501
Retained profits		**21,759**	20,604
Total Equity		**37,260**	36,105

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 2017

	Note	Contributed equity $'000	Retained profits $'000	Total equity $'000
Consolidated Balance at 1 July 2016		15,501	18,720	34,221
Total comprehensive income for the year		-	3,785	3,785
Transactions with owners in their capacity as owners:				
Dividends paid	5	-	(2,723)	(2,723)
Consolidated Balance at 31 December 2016		15,501	19,782	35,283
Consolidated Balance at 1 July 2017		**15,501**	**20,604**	**36,105**
Total comprehensive income for the year		-	**3,938**	**3,938**
Transactions with owners in their capacity as owners:				
Dividends paid	5	-	**(2,782)**	**(2,782)**
Consolidated Balance at 31 December 2017		**15,501**	**21,759**	**37,260**

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 2017

	Note	Half-year 2017 $'000	Half-year 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**21,999**	19,480
Payments to suppliers and employees (inclusive of GST)		**(14,940)**	(13,498)
		7,059	5,982
Interest received		**189**	111
Interest and other finance costs paid		**(73)**	(71)
Income taxes paid		**(1,698)**	(440)
Net cash inflow from operating activities		**5,477**	5,582
Cash flows from investing activities			
Investments in share loans and other loans		**(928)**	-
Payments for property, plant and equipment		**(1,050)**	(301)
Payments for intangible assets		**(282)**	(305)
Payment for purchase of businesses, net of cash acquired	16	**(5,489)**	(1,200)
Net cash outflow from investing activities		**(7,749)**	(1,806)
Cash flows from financing activities			
Drawdown of borrowings		**4,161**	
Dividends paid		**(2,782)**	(2,723)
Net cash inflow/(outflow) from financing activities		**1,379**	(2,723)
Net (decrease)/increase in cash and cash equivalents		**(893)**	1,053
Cash and cash equivalents at the beginning of the half-year		**5,733**	7,539
Cash and cash equivalents at the end of the half-year		**4,840**	8,592

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 2017

Note 1: Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This 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 2017 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*.

These interim financial statements were authorised for issue on 20 February 2018.

(a) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The group has considered the implications of new and amended accounting standards, and determined that their application to the interim financial statements is either not relevant or not material.

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. 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 2017.

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 2017 is 30%, compared to 30% for the six months ended 31 December 2016.

	Half-year 2017 $'000	Half-year 2016 $'000
Note 4: Income tax (continued)		
Current tax:		
Current tax on profit for this half year	**1,673**	1,587
Adjustments for current tax on prior years	**-**	(54)
	1,673	1,533

	Half-year 2017 $'000	Half-year 2016 $'000
Note 5: Dividends		
Dividends provided for or paid during the half year:		
Fully franked final dividend of 11.75 cents (2016: 11.5 cents) for the year ended 30 June 2017 paid on 29 September 2017.	**2,782**	2,723
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 12 cents per fully paid ordinary share (2016: 11.25 cents per share), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 29 March 2018 out of retained earnings at 31 December 2017, but not recognised as a liability at the end of the half year, is:	**2,841**	2,664

	Half-year 2017 $'000	Half-year 2016 $'000
Note 6: Revenue		
Sales revenue from continuing operations:		
Service fees	**19,319**	17,733
Other revenue:		
Interest revenue	**189**	111
Other revenue	**172**	167
	361	278
Revenue	**19,680**	18,011
Note 7: Other income		
Profit on disposal of assets (refer to note 10)	**70**	-

	31 December 2017 $'000	30 June 2017 $'000
Note 8: Trade and other receivables		
Trade receivables	**1,808**	1,192
Membership and treatment plan receivables*	**817**	835
Provision for doubtful debts	**(15)**	(15)
	2,610	2,012

* 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. Treatment plan receivables balance is exclusive of all payments received but not yet applied to outstanding invoices.

Impairment of receivables
The Group continues to recognise a provision for doubtful debts in respect of impairment of receivables.

Past due but not impaired
Customers with balances past due amount to $118,000 as at 31 December 2017 ($114,000 as at 30 June 2017). These past due debtors were all 1 to 3 months overdue.

	31 December 2017 $'000	30 June 2017 $'000
Note 9: Loans receivable		
Current		
Loans receivable (b)	**1,000**	500
Other loans receivable (c)	**335**	-
	1,335	500
Non-current		
Share loan principal (a)	**469**	442
Share loan interest	**26**	21
Other loans receivable (c)	**473**	-
Loans receivable (b)	**1,500**	1,500
	2,468	1,963

a) Ordinary share loans were made pursuant to a company loan funded program to incentivise consultants, contractors and executive management. Shares are held in voluntary escrow. The voluntary escrow is progressively released over a six year period. The loans are full recourse and repayable 13 months after the company makes a call on the borrowers. The loans are secured by lien over the shares acquired from proceeds of the share loan. In the event the borrowers sell any shares, a proportionate percentage of the outstanding loan is required to be repaid. Interest on loans is charged on a commercial basis, varying from 5% to 6.7%.

Note 9: Loans receivable (continued)

b) Redeemable preferences shares were acquired during the period in an unlisted public company. Terms of fixed interest repayments range from 12 months to 3 years, with rates of return varying from 8% to 14%.

No voting rights are attached to the shares held. Management intend to hold the investments for cash flow purposes and not trading purposes.

c) The consolidated entity has entered into a loan equipment agreement amount of $425,000 during the period with a company. The loan is secured by lien over the equipment acquired from proceeds of the equipment loan. The loan is an interest and principal loan with repayment terms of 5 years. Interest on the loan is charged on a commercial fixed rate of 5%.

The consolidated entity has also entered into a vendor finance loan agreement amount of $400,000 during the period with Dental Members Australia Pty Ltd (DMA). The loan is an interest and principal loan with repayment terms of 18 months. Interest on the loan is charged on a fixed rate of 2%.

Note 10: Investment accounted for using the equity method

The group's share of profit from its equity accounted investment in Dental Members Australia Pty Ltd ('DMA') for the half-year was $20,000 (30 June 2017: $88,000). The group's investment in DMA was disposed of during the period. The group received a dividend distribution of $90,000 (30 June 2017: nil) from its equity accounted investment during the half year.

	31 December 2017 $'000	30 June 2017 $'000
Shares in Dental Members Australia Pty Ltd (ownership interest 33%)	-	400
Investment in joint venture		
Opening balance	**400**	312
Share of profit/(loss) from investment in joint venture	**20**	88
Dividend distribution	**(90)**	-
Disposal of assets	**(330)**	-
	-	400

* the group's investment in DMA was disposed of for a purchase price of $400,000 on 6 December 2017, therefore a gain on sale of $70,000 has been recognised in the statement of comprehensive income.

	Capital works $'000	Property, plant and equipment $'000	Leasehold improvements $'000	Total $'000
Note 11: Property, plant and equipment				
At 30 June 2017				
Cost or fair value	92	15,900	5,254	21,246
Accumulated depreciation	-	(9,251)	(3,281)	(12,532)
Net book amount	92	6,649	1,973	8,714
At 31 December 2017				
Cost or fair value	**664**	**17,571**	**5,495**	**23,730**
Accumulated depreciation	**-**	**(9,823)**	**(3,484)**	**(13,307)**
Net book amount	**664**	**7,748**	**2,011**	**10,423**

	Software $'000	Goodwill $'000	Intellectual property $'000	Future maintainable revenue stream $'000	Total $'000
Note 12: Intangible assets					
Balance at 1 July 2017	**323**	**23,198**	**1,117**	**1,130**	**25,768**
Additions	**62**	**-**	**-**	**220**	**282**
Addition from business combinations #	**-**	**2,018**	**-**	**-**	**2,018**
Disposals	**-**	**-**	**-**	**-**	**-**
Amortisation expense	**(95)**	**-**	**(37)**	**(181)**	**(313)**
Balance at 31 December 2017	**290**	**25,216**	**1,080**	**1,169**	**27,755**

Refer to note 16

	31 December 2017 $'000	30 June 2017 $'000
Note 12: Intangible assets (continued)		
Intangible assets - Cost	**30,074**	27,803
Accumulated amortisation	**(2,319)**	(2,035)
	27,755	25,768

	31 December 2017 $'000	30 June 2017 $'000
Note 13: Trade and other payables		
Current:		
Trade payables	**2,019**	1,971
Sundry payables and accruals	**2,948**	4,128
Unearned revenue	**863**	862
	5,830	6,961
Non-current:		
Other payables	**764**	776

	31 December 2017 $'000	30 June 2017 $'000
Note 14: Borrowings		
Non-current:		
Borrowings	**4,161**	-

The group maintains the following lines of credit at balance date:

1) Corporate markets loan facility - $25m
2) Bank Guarantee facility - $1m

At balance date the group had drawdown $4.1m of the corporate markets loan facility (30 June 2017: nil). Both facilities have an expiry date of 31 January 2020, whereby any outstanding amounts payable are due.

In accordance with the terms of the finance agreement, Directors have assessed the amounts payable at balance date as non-current.

The facilities are secured by lien over the whole of group assets.

Note 15: 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 16: Business combinations

The group acquired three dental practices in Gladstone, Maleny and Roma (Queensland) on 12 October 2017 and acquired a dental practice in Ingham (North Queensland) on 8 December 2017.

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

	Gladstone, Maleny & Roma $’000	Ingham $’000	Total $’000
Purchase consideration:			
Cash paid	2,500	1,000	3,500
Cash payable	-	-	-
Contingent consideration	-	-	-
Total purchase consideration	2,500	1,000	3,500

Assets and liabilities recognised as a result of the acquisition are as follows:

	Gladstone, Maleny & Roma Fair Value $’000	Ingham Fair Value $’000	Total Fair Value $’000
Liabilities assumed	(107)	(29)	(136)
Property, plant and equipment	948	670	1,618
Provisional Goodwill	1,659	359	2,018
Net assets acquired	2,500	1,000	3,500

The practices contributed income of $787,000 to the Group since acquisition, and profit after tax of $49,000. It is not practicable for the Group to disclose the revenue and profit after tax contributions of the practices, had the acquisitions occurred on 1 July 2017.

Note 17: Events occurring after balance sheet date

As outlined in Note 5, the Directors have recommended an interim fully franked dividend of 12 cents per fully paid ordinary share.

On 15 February 2018, the group entered into a conditional sale and purchase agreement for an established dental practice in Buderim, Sunshine Coast, Queensland.
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
31 December 2017

In the directors' opinion:

a) the financial statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001*, including:
   i) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-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.

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

Dr Daryl Holmes (OBE)
Director

Townsville
20 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF 1300SMILES LIMITED

Report on the Half-Year Financial Report

Conclusion

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 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half year's end or from time to time during the financial half year.

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 2017, and of its financial performance for the half-year ended on that date; and

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence 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 the Australian Accounting Standards and the Corporations Regulations 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 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of 1300SMILES Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

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.

PKF Hacketts

PKF HACKETTS AUDIT

SHAUN LINDEMANN
PARTNER

20 FEBRUARY 2018
BRISBANE

Directors

Robert Jones, Chairman
Dr Daryl Holmes, Managing Director
Dr Glen Richards (Non-Executive Director) (Resigned 23 November 2017)
Evonne Collier (Non-Executive Director) (from 23 November 2017)
Jason Smith (Non-Executive Director) (from 23 November 2017)

Company secretary

Gina Bozinovski

Registered office and principal business office

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

Auditor

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

Country of incorporation

Australia

Stock exchange listing

Australian Securities Exchange Limited
ASX Code: ONT

Australian business number (ABN)

91 094 508 166

Share register

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

Legal advisers

Thomson Geer Lawyers
Level 16 Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Broadley Rees Hogan
24/111 Eagle Street
Brisbane QLD 4000

Wilson Ryan Grose Lawyers
51 Sturt Street
Townsville QLD 4810

1300 SMILES Dentists

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