



ABN 27 621 105 824
ACN 621 105 824

ASX announcement

31 October 2019

Appendix 4C quarterly cashflow report and business update

Smiles Inclusive Limited (ASX: SIL) has released its Appendix 4C quarterly cashflow report and provides the following update on trading for the three months ending 30 September 2019.

Cashflow report

Cash inflows from Q1 FY20 operating activities of \$12.275 million were similar to Q4 FY19 inflows and showed a slight improvement on same quarter in FY19.

Cash outflows from operating activities of \$12.963 million for the quarter (excluding non-underlying costs of \$0.214 million) were \$0.179 million higher than Q4 FY19 outflows due to the timing of payments for key suppliers. Non-underlying costs of \$0.214 million include redundancies, legal costs and professional fees associated with the turnaround strategy. Cash outflows from operating activities (excluding non-underlying costs) have improved by \$1.642 million from the same quarter in FY19, driven by reductions in overhead and operating expenses.

As previously announced to the market on 25th September 2019, the Company has raised \$3.3 million through a non-renounceable rights issue which completed on the 16th of October 2019 to assist with cashflow while the turnaround plan is being implemented.

Net cash outflows for the quarter ended 30 September 2019 were \$1.250 million, with cash at bank decreasing from \$1.595 million at 30 June 2019 to \$0.345 million at 30 September 2019.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Smiles Inclusive Limited

ABN

27 621 105 824

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,275	12,275
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,988)	(5,988)
(c) advertising and marketing	(111)	(111)
(d) leased assets	-	-
(e) staff costs	(5,652)	(5,652)
(f) administration and corporate costs	(511)	(511)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(299)	(299)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8.1 Other (non- underlying costs) ¹	(214)	(214)
1.8.2 Other (JVP profit share expense) ²	(402)	(402)
1.9 Net cash from / (used in) operating activities	(902)	(902)

¹ Non-underlying costs of \$0.214 million include redundancies, legal costs and professional fees associated with the turnaround strategy.

² JVP profit share outflows are amounts paid to joint venture partners and are shown as an interest cost for statutory reporting.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(309)	(309)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment ¹	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(7)	(7)
2.6 Net cash from / (used in) investing activities	(316)	(316)

¹ Proceeds from Sale and Leasebacks totalling \$1,939,000 at 31 March 2019 have been reclassified from investing activities to financing activities in the current quarter

3. Cash flows from financing activities	-	-
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	250	250
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9.1 Lease Payments	(282)	(282)
3.10 Net cash from / (used in) financing activities	(32)	(32)

¹ Proceeds from Sale and Leasebacks totalling \$1,939,000 at 31 March 2019 have been reclassified from investing activities to financing activities in the current quarter

4. Net increase / (decrease) in cash and cash equivalents for the period		
	1,595	1,595
4.1 Cash and cash equivalents at beginning of quarter/year to date		
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(902)	(902)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(316)	(316)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(32)	(32)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	345	345

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	345	1,595
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	345	1,595

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

99

150

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

6.1 includes salary & wages, superannuation and directors' fees.
6.2 includes money advanced to the Company by directors to participate in the non-renounceable entitlement offer as announced to the market on 25th September 2019.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

-

-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	19,608	19,608
8.2 Credit standby arrangements	-	-
8.3 Other	4,473	4,220
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facilities in 8.1 include the NAB senior debt and acquisition facility of \$14,708,000 and the working capital facility of \$4,000,000 and 3rd party loans of \$900,000. Weighted average interest rate on these loans at 30 September 2019 was 3.92%.

Other includes the following financing facilities drawn:

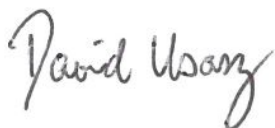
- Ancillary facilities of \$505,000
- Equipment lease liability of \$3,715,000

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(6,700)
9.3 Advertising and marketing	(300)
9.4 Leased assets	-
9.5 Staff costs	(5,000)
9.6 Administration and corporate costs	(700)
9.7 Other	-
9.8 Total estimated cash outflows	(12,700)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration	n/a	n/a
10.3 Consideration for acquisition or disposal	n/a	n/a
10.4 Total net assets	n/a	n/a
10.5 Nature of business	n/a	n/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Chairman)

Date: 31.10.19

Print name: David Usasz

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.