



ASX Announcement

31 January 2020

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 31 December 2019.

Cashflow report

Cash inflows for Q2 FY20 included amounts received from the successful completions of the following transactions:

- The non-renounceable 1:1 rights issue completed on 16 October 2019, raising approximately \$3.3 Million.
- The successful completion of the sale of the Company's Gatton and Laidley practices, resulting in a \$1.863 net inflow for the quarter.

Cashflows from operations for the quarter included the net impacts of several one-off items associated with lower than expected receipts over the Christmas period, the restructure of operations, litigation matters and increases in insurance costs.

The net result of the Company's operating, investing and financing activities saw an improvement in its cash reserves from last quarter of approximately \$364,000.

The Company will release its full half year report in accordance with its reporting requirements by 28 February 2020.

- ends -

For further information, please contact:

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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")

31 December 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	11,843 ¹	24,118
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,818)	(13,413)
(c) advertising and marketing	(181)	(292)
(d) leased assets	-	-
(e) staff costs	(5,356) ²	(10,628)
(f) administration and corporate costs	(2,105) ^{3,4}	(2,798)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(7)	(7)
1.5 Interest and other costs of finance paid	(591)	(1,287)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-

¹ Cash receipts were down on prior quarters as a result of two practice sales completed in the quarter, and two practice closures. As previously disclosed to the market. In addition to this cash receipts for the Christmas period were less than those received in the same period last year.

² The Company incurred an additional pay-cycle for the months of December, realizing a larger wages expense than other quarters.

³ Administration and Corporate costs for the period, include significant cash outlays setting amount in accordance with the proposed usage of funds raised in the Company's rights issue which settled on October 16, 22019.

⁴ The Company has had significant "one-off" outlays for the quarter associated with full year insurance costs, litigation matters and restructure costs.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1.8 Other (stamp duty on acquisitions)	-	-
1.9 Net cash from / (used in) operating activities	(3,215)	(4,307)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	197	78
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	1,863	1,863
(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	-
2.6 Net cash from / (used in) investing activities	2,067	1,941

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,329	3,329
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	(246)	(246)
3.5 Proceeds from borrowings	(924)	(674)
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9.1 Lease Payments	(302)	(584)
3.10 Net cash from / (used in) financing activities	1,857	1,825

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period	0	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)	(3,215)	(4,307)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,067	1,941
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,857	1,825
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	709	1,054

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	709	345
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)	709	345

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2⁵
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
92
-

⁵ 6.1 includes salary & wages, superannuation and directors' fees

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	-
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	18,934	18,934
8.2 Credit standby arrangements	-	-
8.3 Other	4,473	3,816
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, a working capital facility of \$4,000,000 and 3rd party loans of \$900,000. Weighted average interest rate on these loans at 31 December 2019 was 3.94%.

"Other" includes ancillary facilities of \$500,000 and an Equipment lease facility 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	Totally Smiles Gatton Totally Smiles Laidley
10.2 Place of incorporation or registration	n/a	n/a
10.3 Consideration for acquisition or disposal	n/a	1,862,983
10.4 Total net assets	n/a	1,559,826
10.5 Nature of business	n/a	Dental Practices

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: 31/1/2020

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.