



ASX Announcement

30 April 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 March 2020.

Cashflow report

Cash inflows for Q3 FY20 included the following:

- Capital Raising of \$436,000.
- Initial cash inflows associated with the relaunch of the mobile business.

Restructure activities for the business are ongoing, albeit in the face of challenges driven by COVID-19. In March 2020 the business was forced to close the vast majority of practices as a result of the guidance provided by the Australian government and confirmed by the Australian Health Protection Principal Committee (AHPPC).

As of Monday 27, April 2020 the Company had 1/3 of our practices have resume operations – albeit it with Level 2 restrictions still in place.

The Company continues in its negotiations to secure additional funding to enable the turnaround of the business to continue.

We hope to complete the audit for the half year ended 31 December 2019, within the next month.

- ends –

For further information, please contact:

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Smiles Inclusive Limited

ABN

27 621 105 824

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10 602	33,308
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(5,703)	(19,118)
(c) advertising and marketing	(133)	(425)
(d) leased assets	-	-
(e) staff costs	(3,610)	(14,238)
(f) administration and corporate costs	(328)	(2,925)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(7)	(7)
1.5 Interest and other costs of finance paid	(321)	(1,929)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	500	(5,334)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(140)	(62)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	1,662
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
2.6	Net cash from / (used in) investing activities	(140)	1,660

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	439	3,768
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(246)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(89)	(89)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
	(a) Leasing Payments	(468)	(1,052)
3.10	Net cash from / (used in) financing activities	242	2,381

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period		1,595
4.2	Net cash from / (used in) operating activities (item 1.9 above)	500	(5,334)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(140)	1,600

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(118)	2,381
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	242	242

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	242	709
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)	242	709

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
32
0

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	18,034	18,034
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	4,430	4,430
7.4 Total financing facilities	23,364	23,364

7.5 **Unused financing facilities available at quarter end** 0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facilities in 8.1 include the NAB senior debt and acquisition facility of \$14,034,000 and the working capital facility of \$4,000,000 and 3rd party loans of \$1,485,000. Weighted average interest rate on these loans at 31 December 2019 was 3.94%.

Other includes the following financing facilities drawn:

- Credit Card facility of \$500,000
- Equipment lease liability balance of \$2.945

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	500
8.2 Cash and cash equivalents at quarter end (Item 4.6)	242
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	242
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.484

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No. The business is current adjusting to the operational reality of COVID-19 and its impact on the business, together with the turnaround of operations.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is in the process of securing further funds for any operational shortfall as well as the business turnaround. Discussions and arrangements for these funds are well advanced.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company has taken many proactive steps given the current climate. This includes securing the available support to it from state and federal governments to alleviate the impact that COVID-19 has had on the business as well as making separate arrangements for additional investment funds to support the business' turnaround.

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.

Date: 30 April 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.