# Smiles Inclusive Limited
ACN 621 105 824

# Financial

# Report

# 30 June 2020

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## Corporate Directory

**Registered Office**
62 Aston Terrace
Spring Hill, QLD, 4000
1300 942 234

**Principal Place of Business**
62 Aston Terrace
Spring Hill, QLD, 4000
1300 942 234

**Newly Appointed Directors as at 29 July 2021**
Iain Gray (Chairman)
Marshini Thulkanam
Mark Rudulph Van Wyk

**Previous Directors as at 30 June 2020**
David Usasz (Chairman) – resigned 30 July 2021
Peter Evans – resigned 23 September 2020
Peter Fuller – resigned 5 November 2020
Genna Levitch – resigned 29 July 2021
Michelle Aquilina – resigned 29 July 2021

**Company Secretary**
Andrew Ritter

**Auditor**
FSA Partners (New Appointed Auditor)
KPMG (Resigning Auditor)

**Share Registry**
Link Market Services
Level 12, 680 George Street Sydney NSW 2000
(02) 8280 7100

**Stock Exchange Listing**
Smiles Inclusive Limited shares are listed on the Australian Security Exchange under the code "SIL".

## Directors' report

The Directors present their report on the consolidated entity consisting of Smiles Inclusive Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the period ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the Group.

## Directors and Company Secretary

The following persons were Directors and Company Secretary of the Company at any time during or since the end of the financial year:

| **Directors & Company Secretary as at 30 June 2020** | |
|---|---|
| D Usasz | Chairman (appointed 22 May 2019 and resigned 30 July 2021) |
| P Evans | Non-Executive Director (Appointed 1 August 2018, resigned 23 September 2020) |
| P Fuller | Non-Executive Director (appointed 25 June 2020, resigned 5 November 2020) |
| G Levitch | Non-Executive Director (Appointed 24 September 2020 and resigned 29 July 2021) |
| M Aquilina | Managing Director (appointed 14 April 2020 and resigned 29 July 2021) |
| E Corcoran | Company Secretary (Appointed 20 June 2019, resigned 15 May 2020) |
| A Ritter | Company Secretary (Appointed 15 May 2020) |

The Directors qualifications, experience and responsibilities, and interest are as follows:

| **D Usasz – Bachelor of Commerce, Fellow Chartered Accountant<br>Chairman & Independent Non-Executive Director** | | |
|---|---|---|
| **Experience and expertise** | Independent Non-Executive Director and Chairman.<br>Provides counsel on financial and strategic matters drawing on 31 years of service at PricewaterhouseCoopers, including 20 years as partner. | |
| **Other current directorships** | MSL Solutions Ltd (ASX) | |
| **Former directorships in last 3 years** | GARDA Capital Group, and GARDA Capital Limited as responsible entity for the GARDA Diversified Property Fund. | |
| **Special responsibilities** | Chair of Board<br>Chair of Audit and Risk Committee<br>Member of Nomination and Remuneration Committee | |
| **Interests in shares and options** | Ordinary shares – Smiles Inclusive Limited | 3,500,000 |

| **P Evans – Bachelor of Commerce, GradDipAdvAcc, F Fin, FSIA<br>Independent Non-Executive Director** | | |
|---|---|---|
| **Experience and expertise** | Independent Non-Executive Director. 30-year stockbroking career and extensive Board experience with a range of private and ASX-listed companies. | |
| **Other current directorships** | Intrepid Mines Limited | |
| **Former directorships in last 3 years** | Talon Petroleum Limited | |
| **Special responsibilities** | Member of Audit and Risk Committee<br>Chair of Nomination and Remuneration Committee | |
| **Interests in shares and options** | Ordinary shares – Smiles Inclusive Limited | 2,892,000 |

## Directors and company secretary (continued)

| P Fuller – Bachelor Dental Technology and Dental Prosthetics<br>Non-Executive Director | | |
|---|---|---|
| **Experience and expertise** | Founded Q Dental Australia Pty Ltd in 2009. Over 30 years' experience in the dental industry. | |
| **Other current directorships** | Nil public companies | |
| **Former directorships in last 3 years** | Nil | |
| **Special responsibilities** | Member of the Nomination and Risk Committee | |
| **Interests in shares and options** | Ordinary shares – Smiles Inclusive Limited | 5,310,828 |

| G Levitch – Bachelor Dental Surgery<br>Non-Executive Director | | |
|---|---|---|
| **Experience and expertise** | Established first corporate dental group, Pacific Smiles Group. Over 25 years in the dental industry with significant financial and strategic expertise. | |
| **Other current directorships** | LPT Property Group | |
| **Former directorships in last 3 years** | Nil | |
| **Special responsibilities** | Nil | |
| **Interests in shares and options** | Ordinary shares – Smiles Inclusive Limited | 4,000,000* |

| M Aquilina – Masters in Business Administration (Executive) and Master of Management<br>Managing Director | | |
|---|---|---|
| **Experience and expertise** | Ms Aquilina is the former Chief Executive Officer of Primary Dental, the dental division of the ASX listed Healius Limited, where she led the turnaround of the business, seeing it become one of the top dental operators in Australia. | |
| **Other current directorships** | Nil | |
| **Former directorships in last 3 years** | Nil | |
| **Special responsibilities** | Chief Executive Officer | |
| **Interests in shares and options** | Options – Smiles Inclusive Limited | 2,000,000[1] |

[1] These options lapsed without being exercised subsequently to the end of the reporting period but prior to the date of this report.
* These interests were acquired after 30 June 2020.

## Company Secretary

Mr Andrew Ritter was appointed as Company Secretary on 15 May 2020. Mr Ritter has approximately 20 years of international finance experience with various listed global organisations. Mr Ritter is a Chartered Accountant, holds a Bachelor of Commerce degree, a graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and the International Institute of Chartered Secretaries and Administrators. Prior to the appointment of Mr Ritter, Ms Emma Corcoran was Company Secretary from 20 June 2019 to 15 May 2020.

## Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| | Meeting of Directors | | Committee Meetings | | | |
|---|---|---|---|---|---|---|
| | | | Audit and Risk | | Nomination and Remuneration | |
| | A | B | A | B | A | B |
| D Usasz | 21 | 21 | 5 | 5 | 2 | 2 |
| P Evans | 21 | 21 | 5 | 5 | 2 | 2 |
| P Fuller | 21 | 21 | 5 | 5 | 2 | 2 |
| M Aquilina (appointed 14 April 2020) | 3 | 3 | - | - | - | - |

A= Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

## Principal activities

The principal activities of the Company during the year 30 June 2020 consisted of the operation of dental practices. The Group owned and operated during this period fully serviced treatment rooms, providing equipment, consumables, marketing, and administrative services to dentists through the Totally Smiles Dental Group. A significant subsequent event occurred after the reporting period and before the director's report was signed. On 9 November 2020 the previous board made the decision to appoint Tim Heenan and Luci Palaghia of Deloitte Restructuring Services as Voluntary Administrators of the Group.

On 2 July 2021 a second creditors meeting was held and creditors voted in favour of the Company entering a Deed of Company Arrangement (DOCA) with Exit Solutions Ltd. Due to the appointment of the Voluntary Administrators of the Group and the fact the Group was no longer satisfying the criteria to report as a going concern these financial statements have now been prepared on a liquidation basis.

**Objectives**

The previous board had undertaken a campaign to substantially reduce head office costs and additional capital repair for the Group during the financial year. The board was in regular liaison with their financiers including working closely with private equity groups and individual investors for a significant period. This resulted in various refinancing options which were put to the bank for acceptance. Whilst the financiers were prepared forgive a portion of their current loans they were unable to accept the timing of the repayments.

A number of options were provided but none were accepted by the financiers.

COVID-19 impacted the turnaround of the Group.

Notwithstanding the previous Board and Management's vision, model and targets for the business over the longer term, the previous position of the Group meant that substantial changes were needed to stabilise operations, rebuild the company's balance sheet and restore shareholder value.

## Operating and Financial Review

### Overview of the Business

The Group continued during the reporting period of 30 June 2020 with the implementation of its turnaround plan, which consisted of divestment of non-core practices and restructuring of certain divisions combined with several discrete initiatives, varying in complexity, and disciplined strategic execution plan.

Key performance outcomes for SIL for the financial year ended 30 June 2020 were:

- Practice revenue of $27.3 million, a decrease of 32.7%;
- Statutory loss after tax of $60.9 million, which includes the following non-cash items;
  - impairment of goodwill and property, plant and equipment of $33.7 million; and
  - impairment of right-of-use assets of $17.5 million, associated with AASB 16; and
  - impairment of software assets of $42,000.

The underlying overall performance of the Group for the year ended 30 June 2020 was below expectations due to a number of factors, COVID-19 pandemic and subsequent shutdown practices, under-performing practices and operational deficiencies, which management sought to address through the implementation of a turnaround plan, including the divestment of non-core practices.

At 30 June 2020 the Group had cash of $260,000 and drawn debt of $19.7 million.

As part of a strategic review, the Group identified a number of non-core practices for which it intended to undertake a sale process to divest those practices, enabling the Group to focus on core practices and enhance shareholder value. In addition, the Group resolved to close certain underperforming practices.

In addition to the sale of the Gatton and Laidley practices in December 2019, the Group sold its Miranda and Yarram practices in July 2020 and August 2020 respectively, with proceeds used for the reduction of debt and working capital purposes. In addition, the Group restructured the dentures and mobile divisions, resulting in the consolidation of 15 tenancies. The Group also entered into a JVP buyout for Clayfield and Glen Waverley practices, which forms part of the Company's multi-faceted strategy.

### COVID-19 Pandemic

In response to the global pandemic, COVID-19 in March 2020 and subsequent Victorian declared State of Disaster, the Group implemented the guidelines of the Australian Dental Association, The Victorian Dental Association, The Australian Health Protection Principle Committee and Dental Board of Australia by closing all practices in early April 2020 and again in Victoria in August 2020, with some practices only operating on an "on-call" basis to provide emergency procedures.

The COVID-19 recovery plan involved the implementation of further enhanced infection control protocols, social distancing and enhanced operating efficiencies as part of a staged re-opening of practices, commencing with 20 practices on 27 April 2020 with the remaining practices re-opening by 15 May 2020.

Subsequent to the re-opening of remaining practices and the constant evolving dynamics of the COVID-19 pandemic, practices were closely monitored daily with operations of some practices varying, resulting in some reduced hours and some subsequent closures.

The Group's Victorian practices were further impacted by the reintroduction of restrictions in August 2020, with the temporary closure of four practices and the remaining five practices operating under level 2 and level 3 restrictions.

In order to minimise the financial impact of COVID-19, the Group accessed available federal and state government assistance initiatives including Cash Flow Boost, Job Keeper and payroll tax concessions, while also negotiating rent concessions with landlords.

**Implementation of AASB 16 Leases**

This is the first set of the Group's annual financial statements in which AASB 16 Leases has been applied. Under the transition methods chosen, comparative information has not been restated. The FY20 results are therefore not directly comparative to prior years.

## Review of Financial Condition

For the year ended 30 June 2020 SIL incurred a statutory net loss before tax of $60.9 million and net cash outflows from operating activities of $5.4 million. As at 30 June 2020, the Group had total liabilities of $63 million, including cash of $260,000.

## Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group in the following periods were as follows:

**During the Year**

- During the year, the Group raised $3.3 million before capital raising costs through a non-renounceable entitlement offer, which was utilised for the partial repayment of temporary banking facilities and working capital.
- In December 2019, the Group raised $2.0 million from the sale of Gatton and Laidley dental practices, with proceeds used to repay debt and for working capital purposes.
- In January 2020, Mark O'Brien was appointed as Chief Operating Officer on 28 January 2020. Mark brought experience from a number of industries including the aged care and allied healthcare sectors. He was the former General Manager of Partnerships with Junior Adventures Group.
- In April 2020, Ms Michelle Aquilina was appointed as Managing Director and Chief Executive Officer which allowed Mr Tony McCormack to return to his position of Chief Operating Officer. Ms Aquilina brings significant industry experience to the Company.
- In May 2020, Ms Emma Corcoran resigned as Chief Financial Officer and Company Secretary and was replaced by Mr Andrew Ritter as Company Secretary. The Group was in the process of recruiting for a new Chief Financial Officer however this never eventuated.

**Subsequent Events**

- At the request of the financiers, the board contacted on 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services. As a result they were appointed as Voluntary Administrators of the Group. The Creditors Report which was released on 23 June 2021 indicated that the administrators formed the opinion that the Group was insolvent.

- On 2 July 2021 a second creditors meeting was held and creditors voted in favour of the Company executing a Deed of Company Arrangement (DOCA) with Exit Solutions Ltd. Due to the appointment of the Voluntary Administrators of the Group and the fact the Group was no longer satisfying the criteria to report as a going concern these financial statements have now been prepared on a liquidation basis.

## Going concern

During the year ended 30 June 2020 the Group incurred a net loss before tax of $69.9 million and had net cash outflows from operating activities of $5.4 million. As at 30 June 2020, the Group had a net asset deficiency of $54 million, and cash of $260,000 dollars.

On 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators of the Group. The Creditors Report which was released on 23 June 2021 indicated that the administrators formed the opinion that the Group was insolvent. Given this opinion, the current board has agreed that the annual financial statements will no longer be prepared on a going-concern basis.

## Dividends

No dividends were declared by the group for the period ended 30 June 2020 or up to the date of signing.

## Events Subsequent to Reporting Date

**Directors and senior management**

In September 2020, Mr Peter Evans resigned as Non-executive Director and was replaced by Dr Genna Levitch.

In November 2020, Mr Peter Fuller resigned as Non-executive Director.

In November 2020 the Group entered voluntary administration and the powers of directors and senior management were suspended.

In July 2021 David Usasz, Genna Levitch and Michelle Aquilina resigned as directors, and Dr Iain Gray, Marsha Thulkanam and Mark van Wyk were appointed directors.

**Financing arrangements**

The previous board had agreed that the Group's primary financier release and discharge the Company from liability under its various banking facilities upon receipt of $12.0 million plus repayment of amounts outstanding on the corporate credit card and temporary JobKeeper facilities. Upon settlement of the agreement, the expected debt forgiveness by the financier will be approximately $6.0 million. The Group was unable to execute the deed of release and subsequently Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators on November 9 2020.

**Capital raising**

The Group was undertaking a rights issue to raise approximately $7.6 million after capital raising costs, with proceeds used to repay existing debt facilities as outlined above. This was subsequently unsuccessful.

**Sale of practices**

The Group sold its Miranda and Yarram practices in July 2020 and August 2020 respectively, with proceeds used for the reduction of debt and working capital purposes. In addition, the Group restructured the dentures and mobile divisions, resulting in the consolidation of 15 tenancies. The Group also entered into a JVP buyout for Clayfield and Glen Waverley practices.

**Other matters**

In September 2021 the Company settled a claim against former employees and suppliers on a confidential basis.

On 29 September 2021 KPMG was replaced as the company's auditor by FSA Partners. FSA Partners holds office until the company's next AGM.

## Environmental regulation

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Indemnification and Insurance of Officers

**Indemnification**

The Company has agreements with each of the Directors and Officers of the Company in office at the date of this report indemnifying them against liabilities to any person other than the Company or a related body corporate that may arise from their acting as Directors or Officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The indemnity continues to have effect when the Directors and Officers cease to hold office other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Directors or Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. The Directors have not included some details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability, as such disclosures are prohibited under the terms of the contract.

## Indemnification and Insurance of Officers (continued)

**Insurance**

Since the end of the previous financial year the Company has paid insurance premiums of $150,000 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

## Proceedings on Behalf of the Company

The Group is the subject of several legal proceedings as at the date of this report and is also the subject of a number of possible actions or claims. It is currently not possible to determine whether the actual or threatened actions will result in a financial impact on the Group. The Group intends to defend its position in relation to all actual or threatened actions.

No proceedings have been brought or intervened in on behalf of the Company pursuant to leave under s 237 of the *Corporations Act 2001*.

## 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 19.

## Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2020 outlines the Directors and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth) (Corporations Act) and the Corporations Regulations 2001 (Cth).

For the purposes of this Report, key management personnel (KMP) of the Group are defined as those personnel having authority and responsibility for planning, directing and controlling major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

The disclosures in this Report have been audited. This Report is presented under the following sections:

a) Key Management Personnel
b) Overview of remuneration policy
c) Summary of senior executive remuneration structure
d) Details of performance-based remuneration elements
e) Relationship between remuneration policy and company performance
f) Remuneration details of Non-Executive Directors
g) Remuneration details of Senior Executives

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### *(a) Key Management Personnel*

The remuneration disclosures in this Report cover the following persons:

**Current Executives as at 30 June 2020**

M Aquilina (appointed 14 April 2020)
M O'Brien (appointed 28 January 2020)
S Douglas (appointed 9 November 2019)

**Previous Executives as at 30 June 2020**

A McCormack (appointed 1 March 2019, resigned 14 April 2020) – stepped down to COO position
E Corcoran (appointed 13 May 2019, resigned 15 May 2020)

In this Report the group of persons comprised of the Executive Directors and Other Executives (listed above) are referred to as "Senior Executives".

## Remuneration Report (Audited)

### *(b) Overview of remuneration policy*

**Philosophy**

The performance of the Group is highly dependent upon the quality of its Directors, Senior Executives, practitioners and employees. Accordingly, it seeks to attract, retain and motivate skilled Directors and Senior Executives given the specific requirements of the business at the point in time. The Group's remuneration philosophy is to ensure that remuneration packages properly reflect a person's duties and responsibilities, that remuneration is appropriate and competitive both internally and against comparable companies and that there is a direct link between remuneration and performance. The Group has in place different remuneration structures for Non-executive Directors and Senior Executives.

**Non-executive Directors**

The process for determining remuneration of the Non-Executive Directors has the objective of ensuring maximum benefit for the Group by the retention of a high-quality Board, that is skilled appropriately for the specific needs of the business.

The Nomination and Remuneration Committee bears the responsibility of determining the appropriate remuneration for Non-Executive Directors and other senior executives. Non-Executive Directors' fees are reviewed periodically by the Nomination and Remuneration Committee with reference to the fees paid to the Non-executive Directors of comparable companies. The Nomination and Remuneration Committee is subject to the direction and control of the Board.

In forming a view of the appropriate level of Board fees to be paid to Non-Executive Directors, the Nomination and Remuneration Committee may also elect to receive advice from independent remuneration consultants, if necessary. Details regarding the composition of the Nomination and Remuneration Committee and its main objectives are outlined in the Corporate Governance Statement. The Nomination and Remuneration Committee is comprised of a majority of independent Non-executive Directors.

No performance-based fees are paid to Non-Executive Directors. Non-Executive Directors are not entitled to participate in the Group's incentive plans (described more fully below). Non-Executive Directors are not provided with retirement benefits other than statutory superannuation at the rate prescribed under the Superannuation Guarantee (Administration) Act 1992 (Cth) (Superannuation Legislation).

**Senior Executives**

The remuneration structure for Senior Executives, currently consists solely of a fixed remuneration amount. It is envisaged that it will incorporates a mix of fixed and performance-based remuneration in the future. The following section provides an overview of the fixed and performance-based elements of executive remuneration. The summary tables provided later in this Report indicate which elements apply to each Senior Executive.

The Group's key strategies and business focuses are taken into consideration as part of performance-based remuneration.

### *(c) Summary of Senior Executive remuneration structure*

**Fixed Remuneration**

The objective of fixed remuneration is to provide a base level of remuneration which is appropriate to the Senior Executive's responsibilities, the geographic location of the Senior Executive and competitive conditions in the appropriate market.

Fixed remuneration is therefore determined with reference to available market data, the scope and any unique aspects of an individual's role and having regard to the qualifications and experience of the individual. From time to time, the Group may seek a range of specialist advice to help establish the competitive remuneration for its Senior Executives.

## Remuneration Report (continued)

Fixed remuneration typically includes base salary and superannuation at the rate prescribed under the Superannuation Legislation, mobile telephone costs, and may include, at the election of the Senior Executive, other benefits such as a motor vehicle, additional contributions to superannuation, and car parking, aggregated with associated fringe benefits tax to represent the total employment cost (TEC) of the relevant Senior Executive to the Group.

Fixed remuneration for the Senior Executives is reviewed annually by the Chairman and is approved by the Nomination and Remuneration Committee.

The review process measures the achievement by the Senior Executives of their Key Performance Objectives (KPOs) established at the beginning of the financial year, the performance of Smiles, relevant comparative remuneration in the market and relevant external advice.

Any payments relating to redundancy or retirement are as specified in each relevant Senior Executive's contract of employment.

### *(d) Remuneration details for Non-executive Directors*

Non-executive Directors are entitled to a base fee per annum for acting as a Director of the Group.

Non-executive Directors of the Group are entitled to additional fees if they act as either chair or a member of an active Committee (the Audit and Risk Committee, or the Nomination and Remuneration Committee).

Details of the remuneration of the non-executive Directors of the Group for the financial period are set out in the following table as at 30 June 2020:

| | Short term employee benefits | | Long term benefits | | Total |
|---|---|---|---|---|---|
| | Salary and fees | Superannuation | Long Service Leave | Other[1] | |
| | $ | $ | $ | $ | $ |
| **Non-executive Directors** | | | | | |
| D Usasz | 54,500 | - | - | - | 54,500 |
| P Evans | 19,292 | 1,833 | - | - | 21,125 |
| P Fuller | - | - | - | - | - |

## Remuneration Report (continued)

For comparison purposes, the total remuneration of non-executive directors and senior executives for the year ended 30 June 2019:

| | Short term employee benefits | | Long term benefits | | Total |
|---|---|---|---|---|---|
| | Salary and fees | Superannuation | Long Service Leave | Other[1] | |
| Non-executive Directors | $ | $ | $ | $ | $ |
| D Usasz | 76,066 | - | - | - | 76,066 |
| P Evans (appointed 1 August 2018) | 28,937 | 3,747 | - | - | 32,684 |
| P Fuller (appointed 25 June 2019) | - | - | - | - | - |
| J Lowcock (ceased 26 February 2019) | 25,500 | - | - | - | 25,500 |
| D Herlihy (ceased 22 May 2019) | 79,200 | - | - | - | 79,200 |
| M Timoney[2] | 4,923 | - | - | - | 4,923 |

[1] In accordance with AASB 119 Employee Benefits, annual leave is classified as an other long term employee benefit.
[2] Ceased being an executive director on 28 February 2019 and became a non-executive director on 1 March 2019. Subsequently ceased being a non executive director on 22 May 2019.

### *(e) Remuneration details for Senior Executives*

Remuneration and other terms of employment for the executives are formalised in employment contracts, which specify the remuneration arrangements, benefits, notice periods and other terms and conditions. Participation in the STI and LTI arrangements are subject to the Board's discretion.

The executive contracts referred to below do not have fixed terms, except for the Chief Executive Officer's contract. Contracts may be terminated by the executive with notice, or by the Company with notice or by payment in lieu of notice, or with immediate effect in circumstances involving serious or wilful misconduct.

| Senior Executives | Contract duration | Termination notice by executive | Termination notice or payment in lieu of notice by Company |
|---|---|---|---|
| M Aquilina (appointed 14 April 2020) [1] | 3 Years | 3 months | 3 months |
| A McCormack (resigned 14 April 2020) | Ongoing | 3 months | 3 months |
| E Corcoran (resigned 15 May 2020) | Ongoing | 3 months | 3 months |
| M O'Brien (appointed 28 January 2020) | Ongoing | 1 Month | Subject to length of continuous service[2] |
| S Douglas (appointed 8 November 19) | Ongoing | 1 Month | Subject to length of continuous service[2] |

[1] Was appointed as the Deputy Chief Executive Officer on 16 March 2020 and become the Chief Executive Office and Managing Director on 14 April 2020.

[2] Period of notice will be based on the following length of continuous service:

| **Length of Continuous Service** | **Period of Notice** |
|---|---|
| Not more than 1 year | 1 Week |
| More than 1 year less than 3 years | 2 Weeks |
| More than 3 years less than 5 years | 3 Weeks |
| More than 5 years | 4 Weeks |

## Remuneration Report (continued)

Details of the remuneration of the senior executives of the Group for the  financial period are set out in the following table:

| | Short-term employee benefits | | | | Long term benefits | Termination Benefit[1] | Share based payments | Total |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees | STI | Superannuation | Other | Long Service Leave | | Options | |
| 2020 | $ | $ | $ | $ | $ | $ | $ | $ |
| **Executive Directors and Senior Executives** | | | | | | | | |
| M Aquilina (appointed 14 April 2020) [2] | 67,212 | - | 6,314 | 11,929 | 2,584 | - | 2,647 | 90,686 |
| A McCormack (resigned 14 April 2020) | 208,279 | - | 15,559 | 24,759 | - | - | - | 248,597 |
| E Corcoran (resigned 15 May 2020) | 233,536 | - | 21,003 | - | - | 86,307 | - | 340,846 |
| M O'Brien (appointed 28 January 2020) | 73,861 | - | 6,325 | 5,276 | - | - | 5,030 | 85,216 |
| S Douglas (appointed 8 November 2019) | 55,825 | | 7,480 | 2,672 | - | - | - | 65,977 |

[1] Termination benefits include payment of statutory benefits for long service leave and annual leave which have previously been accrued

[2] Was appointed as the Deputy Chief Executive Officer on 16 March 2020 and become the Chief Executive Office and Managing Director on 14 April 2020.

| | Short-term employee benefits | | | | Long term benefits | Termination Benefit | Share based payments | Total |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees | STI | Superannuation | Other | Long Service Leave | | Options | |
| 2019 | $ | $ | $ | $ | $ | | $ | $ |
| **Senior Executives** | | | | | | | | |
| A McCormack (appointed 1 March 2020) | 88,071 | - | 8,879 | 5,936 | - | - | - | 102,886 |
| E Corcoran (appointed 13 May 2020) | 35,180 | - | 3,342 | 1,953 | - | - | - | 40,475 |
| T Penn | 218,196 | - | 17,841 | (295) | 338 | - | - | 236,079 |
| M Timoney[1] | 236,344 | - | 15,717 | - | - | - | - | 252,060 |
| P Innes (ceased 28 February 2020) | 180,384 | - | 13,512 | - | - | - | - | 193,897 |

[1] Ceased being an executive director on 28 February 2019 and became a non-executive director on 1 March 2019. Subsequently ceased being a non executive director on 22 May 2019.

## Remuneration Report (continued)

### *(f) Key management personnel disclosures*

**Shareholdings of key management personnel**

Set out below is a summary of equity instruments held directly, indirectly or beneficially by KMPs, close family or controlled entities.

***Ordinary Shares***

| 2020 | Balance at start of year | Net Change | Balance at end of year |
|---|---|---|---|
| **Non-executive Directors** | | | |
| D Usasz | 1,750,000 | 1,750,000 | 3,500,000 |
| P Evans | 556,000 | 2,336,000 | 2,892,000 |
| P Fuller | 1,903,788 | 3,907,040 | 5,310,828 |
| **Executive Directors and Senior Executives** | | | |
| M Aquilina (appointed 14 April 2020) [1, 2] | - | - | - |
| A McCormack (resigned 14 April 2020) | - | 2,000,000 | 2,000,000 |
| E Corcoran (resigned 15 May 2020) | - | 700,000 | 700,000 |
| M O'Brien (appointed 28 January 2020) | - | 10,015 | 10,015 |
| S Douglas (appointed 9 November 2019) | - | - | - |

[1] Was appointed as the Deputy Chief Executive Officer on 16 March 2020 and become the Chief Executive Office and Managing Director on 14 April 2020.

2 Options over 2 million ordinary shares expired without being exercised subsequently to the end of the reporting period but prior to the date of this report.

**Loans to key management personnel**

There have been no loans made, guaranteed or secured, directly or indirectly by the Company or any of its subsidiaries in the reporting period in relation to KMPs, close family or controlled entities.

**Transactions entered into with Key Management Personnel**

Key management personnel, their close family and controlled entities entered into a number of transactions with the Company. Amounts recognised in respect of other transactions with key management personnel were:

| | 30 Jun 20<br>$ | 30 Jun 19<br>$ |
|---|---|---|
| Dividends paid | - | - |
| Revenue from rendering of services | - | 3,031 |
| Revenue from the sale of goods | - | 9,000 |
| Property leasing expenses[1] | 23,089 | - |
| Dental Commission[2] | 250,000 | - |
| Consulting expenses[3] | 40,000 | - |

[1] Rent for Manly premises paid to Peter Fuller.

[2] Dental Commission paid to Peter Fuller.

[3] Consulting fee for sale of Gatton and Laidley practices paid to David Usasz.

## Remuneration Report (continued)

The Group's performance in respect of the current financial year and the previous financial year is summarised in the below table:

| Group Financial Performance | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 | Change<br>$'000 | Change<br>% |
|---|---|---|---|---|
| Gross practice revenue | 27,283 | 34,629 | (7,346) | (21.2%) |
| Statutory loss | (60,914) | (31,002) | (29,912) | (96.5%) |
| Share price (cents) | 0.035 | 0.12 | | |

This concludes the remuneration report, which has been audited.

## Conclusion

This report is made in accordance with a resolution of the Board of Directors.

Marshini Thulkanam
Director
Gold Coast

29 September 2021

Iain Gray
Director
Gold Coast

29 September 2021

## Corporate governance statement

Smiles Inclusive Limited and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. Smiles Inclusive Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2020 corporate governance statement is dated as at 30 June 2020 and reflects the corporate governance practices in place for the 2020 financial period. The 2020 corporate governance statement was approved by the Board. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at www.theexitsolutions.com.

FSA
TAX AUDIT ADVISORY

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 FOR SMILES INCLUSIVE LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

i. the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Smiles Inclusive Limited and the entities it controlled during the period.

FSA Audit Pty Ltd

Mark du Plessis
Partner
Registered Company Auditor - 471680
Date: 29th September 2021
Brisbane

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Ground Floor, 139 Coronation Dr
Milton QLD 4064
PO Box 1128, Milton QLD 4064

## Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

| | Note | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|---|
| **Practice revenue** | 1 | **27,283** | **34,629** |
| Other income | 1 | 3,140 | 146 |
| Direct costs | | (6,214) | (4,185) |
| Consumables supplies expenses | | (2,522) | (2,560) |
| Employee expenses | | (13,403) | (18,634) |
| Marketing expenses | | (276) | (767) |
| Occupancy expenses | | (651) | (3,843) |
| Administration and other expenses | 2 | (11,802) | (9,121) |
| Depreciation and amortisation expense | 2 | (4,174) | (1,410) |
| **Loss before finance costs, income tax, impairment and changes in fair value** | | **(8,619)** | **(5,745)** |
| Impairment of goodwill, right-of-use assets and property, plant & equipment | 9, 10, 11 | (51,262) | (31,059) |
| Change in fair value of joint venture partner contribution | 7 | 1,265 | 7,102 |
| Net impairment and changes in fair value | | (49,997) | (23,957) |
| **Loss before finance costs and income tax** | | **(58,616)** | **(29,702)** |
| Net Finance Cost | 2 | (2,298) | (1,300) |
| **Loss before income tax** | | **(60,914)** | **(31,002)** |
| Income tax benefit / expense | 3 | - | - |
| **Loss for the year** | | **(60,914)** | **(31,002)** |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the year** | | **(60,914)** | **(31,002)** |

### Earnings per share for loss attributable to the ordinary equity holders of the company

| | Note | 30 Jun 20 | 30 Jun 19 |
|---|---|---|---|
| Basic earnings per share (cents per share) | 22 | (52.1) | (53.3) |
| Diluted earnings per share (cents per share) | 22 | (51.5) | (53.3) |

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 36(b).



*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes*

## Consolidated Balance Sheet
As at 30 June 2020

| | Note | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 23 | 260 | 1,595 |
| Receivables and other assets | 4 | 2,175 | 2,837 |
| Inventories | 8 | 228 | 558 |
| Deferred tax assets | 12 | - | 2,687 |
| Property, plant & equipment | 9 | 4,007 | 8,270 |
| Right-of-use assets | 10 | 2,218 | - |
| Intangible assets | 11 | - | 34,438 |
| **Total Assets** | | **8,888** | **50,385** |
| **Liabilities** | | | |
| Interest bearing liabilities | 6 | 19,651 | 23,413 |
| Payables | 5 | 8,046 | 6,927 |
| Lease liabilities | 10 | 21,322 | - |
| Deferred revenue | 5 | 439 | 570 |
| Provisions | 24 | 2,084 | 2,405 |
| Joint Venture Partner Contribution | 7 | 11,457 | 13,730 |
| **Total Liabilities** | | **62,999** | **47,045** |
| **Net Assets** | | **(53,887)** | **3,340** |
| Contributed equity | 13 | 42,934 | 39,297 |
| Reserves | 14 | 50 | - |
| Retained earnings / (accumulated losses) | 25 | (96,871) | (35,957) |
| **Total Equity** | | **(53,887)** | **3,340** |

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 36(b).



*The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

| | Note | Contributed Equity $'000 | Reserves $'000 | Retained Earnings/ (accumulated losses) $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2018** | | **38,085** | **-** | **(4,955)** | **33,130** |
| Total comprehensive loss for the year | | - | - | (31,002) | (31,002) |
| ***Transactions with owners of the Company, recognised directly in equity***: | | | | | |
| Issue of securities | 13 | 1,217 | - | - | 1,217 |
| Share issue costs, net of tax | 13 | (5) | - | - | (5) |
| **Balance at 30 June 2019** | | **39,297** | **-** | **(35,957)** | **3,340** |
| | | | | | |
| **Balance at 1 July 2019** | | **39,297** | **-** | **(35,957)** | **3,340** |
| Total comprehensive loss for the year | | - | - | (60,914) | (60,914) |
| ***Transactions with owners of the Company, recognised directly in equity***: | | | | | |
| Issue of securities | 13 | 3,871 | - | - | 3,871 |
| Options granted - employees | 14 | - | 50 | - | 50 |
| Share issue costs, net of tax | 13 | (234) | - | - | (234) |
| **Balance at 30 June 2020** | | **42,934** | **50** | **(96,871)** | **(53,887)** |

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 36(b).

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Cash Flows
For the year ended 30 June 2020

| | Note | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from patients | | 37,798 | 47,240 |
| Other income | | 2,436 | - |
| Payments to suppliers and employees | | (44,344) | (51,602) |
| Interest received | | - | 3 |
| Finance costs including interest and joint venture partner profits paid | | (1,252) | (2,752) |
| **Net cash flows from/(used in) operating activities** | **26** | **(5,363)** | **(7,111)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (225) | (1,341) |
| Proceeds from disposal of property, plant and equipment | | - | 56 |
| Payments for practices, net of cash received | | - | (2,749) |
| Proceeds from disposal of practices | 20 | 2,000 | - |
| Payment for rental bond term deposits | | - | (63) |
| **Net cash flows (used in)/ from investing activities** | | **1,775** | **(4,097)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of securities | 13 | 3,871 | 1,217 |
| Costs associated with issue of securities | 13 | (234) | (6) |
| Net proceeds from borrowings | 6 | (300) | 8,433 |
| Proceeds from sale & leaseback of property, plant and equipment | | | 1,939 |
| Lease payments | 6 | (972) | (783) |
| Payment for debt issue costs | | - | (6) |
| **Net cash flows (used in)/ from financing activities** | | **2,365** | **10,794** |
| Net increase/(decrease) in cash and cash equivalents | | (1,335) | (414) |
| Cash and cash equivalents at the beginning of the year | | 1,595 | 2,009 |
| **Cash and cash equivalents at the end of the year** | **23** | **260** | **1,595** |

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 35(b).

These are the consolidated financial statements of the Smiles Inclusive Group, comprising Smiles Inclusive Limited and its subsidiaries. A list of subsidiaries is given in note 21 in section C.

Smiles Inclusive Limited is a public company limited by shares, incorporated and domiciled in Australia. On 27 April 2018 the Company was listed on the ASX. Its registered office and principal place of business is located at 62 Aston Terrace, Spring Hill, QLD, 4000.

The financial statements are presented in Australian dollars which is the Company's functional currency. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

On 9 November 2020 the Group entered voluntary administration. The voluntary administrators expressed the view that the Group was likely insolvent from 31 December 2019, if not earlier. Accordingly, the Directors determined that this annual financial report be prepared on a liquidation basis. Refer to Note 34 & 35 for further information.

The financial report was authorised for issue by the Directors on 29 September 2021.

***Liquidity basis of preparation***

The Group has adopted the liquidity basis for presenting its balance sheet, under which assets and liabilities are presented in order of their liquidity.

The Group continues to disclose the amounts expected to be recovered or settled not more than, and more than, twelve months from reporting date for each asset and liability line item that combines amounts expected to be recovered or settled in those periods. This information is given in the note for each relevant line item.

This change has not affected the measurement of amounts presented in the financial statements or the notes.

***Notes to the consolidated financial statements***

The notes to the consolidated financial statements are set out in the following main sections. Each section or note explains the accounting policies relevant to that section or note. Other significant accounting policies are given in Note 36 in section E.



The notes include all disclosures that the Group considers material, either quantitatively or qualitatively. In determining materiality, the Group considers whether the inclusion or omission of a disclosure could reasonably be expected to influence the economic decisions that users make based on the financial statements.

## SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides details of those individual items in the financial statements that the Directors consider most relevant in the context of the operations of the Group. It also explains what accounting policies have been applied to determine these items and how their amounts were affected by significant estimates and judgements. The section includes the following notes on the relevant pages:

## Section A1. Profit and loss information

### 1. Revenue and Other Income

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| **Revenue** | | |
| Dental service fees | 26,671 | 33,824 |
| Laboratory fees | 612 | 805 |
| **Total practice revenue** | **27,283** | **34,629** |
| | | |
| **Other Income** | | |
| Government grant | 3,018 | - |
| Other income | 122 | 146 |
| **Total Other income** | **3,140** | **146** |

Dental service fees include patient fees for dental services rendered by dentists contracted by the Group and service fees charged to dentists for the provision of facilities and services.

**(a) Revenue recognition**

Dental service fees

*(i) Patient Fees*

The Group provides a range of dental services to patients. Patient fees are recognised as revenue once the services have been provided for the amount charged to the patient, measured in accordance with contractual calculations methods and rates

*(ii) Facilities and service fees*

The Group provides services and facilities to practitioners practicing out of Group owned dental centres which include staff, marketing and other support services. The Group invoices the practitioners as a percentage of patient receipts net of direct costs, which are costs directly incurred by the practitioners. Revenue is recognised over time as the service is provided to the practitioners. The Facilities and Services Agreement with the practitioners allows notice periods for both parties to terminate the agreement without penalty which are specific to the individual Facilities and Services agreement but will typically be within one to three months.

Laboratory fees

The Group provides a range of laboratory services for dental practitioners. Fees for the services are recognised as revenue as the services are provided.

JobKeeper Wage Subsidy

The group received JobKeeper Wage subsidy payments as part of the Australian government's response to Covid-19. The fortnightly JobKeeper payments have been accounted for as a government grant and are recognised as grant income as each payroll is processed.

## 2. Particular expenses

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| **Profit from continuing operations before income tax includes the following significant costs** | | |
| Administration and other expenses | | |
| Accounting, legal and professional fees | (962) | (1,438) |
| IT and telecommunication costs | (1,532) | (1,539) |
| Travel and accommodation | (490) | (875) |
| Insurance | (1,216) | (873) |
| Contractor and director fees | (513) | (1,417) |
| Provision for doubtful debts | 27 | (357) |
| Other expenses | (4,430) | (2,622) |
| **Total administration and other expenses** | **(9,116)** | **(9,121)** |
| Depreciation and amortisation | | |
| Plant and equipment | (695) | (361) |
| Leasehold improvements | (352) | (252) |
| Leased assets | - | (783) |
| Amortisation of intangible | (16) | (14) |
| Right-of-use assets | (3,111) | - |
| **Total depreciation and amortisation** | **(4,174)** | **(1,410)** |
| Finance costs | | |
| Interest from bank loans and borrowings | (1,153) | (1,376) |
| Interest from Right-of-use Assets | (1,147) | - |
| Joint Venture Partner profit share | 52 | 125 |
| Amortisation of borrowing costs | (50) | (49) |
| **Total finance costs** | **(2,298)** | **(1,300)** |

## 3. Income tax benefit

### (a) Income tax expense

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| ***Current income tax*** | | |
| Current income tax charge | - | - |
| ***Deferred income tax*** | | |
| Current year movement[1] | - | - |
| Under/(over) provision | - | - |
| **Income tax benefit reported in the income statement** | **-** | **-** |

### (b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated at the statutory income tax rate

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| Accounting loss before income tax | (60,914) | (31,002) |
| Income tax at the Australian rate of 27.5% | (16,751) | (8,526) |
| ***Tax effect of amounts which are not deductible/(taxable) in calculating taxable income*** | | |
| Non-assessable income/expense | - | - |
| Non-deductible impairment of goodwill | - | 7,847 |
| Non-deductible revaluation of JVP contribution liability | - | (1,951) |
| Non-deductible JVP contribution liability forgiveness | - | (119) |
| Non-deductible expenses | - | 59 |
| Derecognition of deferred tax assets | - | 2,690 |
| Under/(over) provision | - | - |
| **Income tax expense (benefit)** | **-** | **-** |

### (c) Accounting for current income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

## Section A2. Financial assets and liabilities

### Accounting for financial assets

Financial assets within the scope of AASB 9 Financial Instruments replaced AASB 139. Financial assets under AASB 9 are classified as either ‘financial assets measured at amortised cost’, ‘financial assets at fair value through profit or loss’, or ‘financial assets at fair value through other comprehensive income’. Classification of assets under AASB 9 Is determined by how the company manages its financial assets (business model test) and the characteristics of their contractual cash flow (cash flow test).

AASB 9 introduces an expected credit loss’ (ECL) model, which replaces the ‘incurred loss’ model in AASB 139. These provisions are based on historical credit loss experience, adjusted for expected deterioration of other receivables.

### 4. Receivables and other assets

| | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|
| Trade receivables | 540 | 1,472 |
| Other assets | 2,082 | 1,689 |
| Prepayments | 93 | 243 |
| Provision for doubtful debts | (540) | (567) |
| **Total Receivables and other assets** | **2,175** | **2,837** |
| *Expected to be recovered* | | |
| No more than twelve months | 2,175 | 2,158 |
| More than twelve months | - | 679 |
| **Total receivables and other assets** | **2,175** | **2,837** |

### (a) Accounting for receivables

Receivables are non-derivative financial assets with fixed or determinable payments that the Group intends to hold to collect the contractual cashflows of principal and, if applicable, any interest. Such assets are carried at amortised cost using the effective interest rate method, less any allowance for impairment losses.

The Group measures loss allowances on trade receivables using a life-time expected loss model. During the year ended 30 June 2020 the Group assessed its expected losses and reduced its provision for doubtful debts by $27,000.

## 4. Receivables and other assets (continued)

### (b) Accounting for other assets

The Group has utilised Bartercard over the period, which is an alternative currency and operates as a trade exchange. Bartercard trade dollars are initially recorded at cost, being the face value, less any future transaction fees. The Group has assessed its forecast usage of Bartercard trade dollars and determined the following classification:

| | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|
| *Expected to be settled* | | |
| No more than twelve months | 938 | 366 |
| More than twelve months | - | 548 |
| | **938** | **914** |

As a result of the review of the forecast spend, the Bartercard dollars expected to be settled more than 12 months were discounted using an effective interest rate of 6.8% resulting in a reduction to the carrying amount totalling $55,000. The carrying amount of Bartercard dollars included in other assets after discounting and impairment totals $938,000 at 30 June 2020.

The Group intends to utilise Bartercard in ongoing expenditure and is not currently accepting Bartercard for payment of dental services.

### (c) Fair value and credit risk

The maximum exposure to credit risk is the fair value of receivables. The fair values of receivables approximate their carrying amount, net of provisions.

## 5. Payables and other liabilities

| | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|
| Trade accounts payable | 3,558 | 2,880 |
| Interest accrued | 462 | 265 |
| Other payables and accruals | 4,026 | 3,782 |
| **Total payables** | **8,046** | **6,927** |
| Deferred revenue | 439 | 570 |
| **Total deferred revenue** | **439** | **570** |
| *Expected to be settled* | | |
| No more than twelve months | 8,485 | 7,497 |
| More than twelve months | - | - |
| **Total payables and deferred revenue** | **8,485** | **7,497** |

### (a) Accounting for payables

Payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### (b) Deferred revenue

Deferred revenue arises as a result of the benefit received from the sale of dental vouchers to third parties. The recognition of revenue is deferred until the services have been provided.

## 6. Interest bearing loans and borrowings

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| **Secured** | | |
| Bank Loans | 18,207 | 18,708 |
| Borrowing Costs (Deferred) | (141) | (192) |
| Lease liability | - | 3,997 |
| Other loans | 1,585 | 900 |
| | 19,651 | 23,413 |
| *Expected to be settled* | | |
| No more than twelve months | 19,651 | 20,611 |
| More than twelve months | - | 2,802 |
| | 19,651 | 23,413 |

### (a) Accounting for interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

### (b) Financing arrangements

The Group has the following loan facilities:

| | Maturity Date | Interest Rate | 2020 Facility Limit | 2020 Drawn | 2020 Undrawn | 2019 Facility Limit | 2019 Drawn | 2019 Undrawn |
|---|---|---|---|---|---|---|---|---|
| | | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Acquisition facility (secured) | Apr-23 | 4.7% | 14,169 | 14,169 | - | 14,708 | 14,708 | - |
| Working capital facility (secured) | Nov-19 | 4.7% | 4,038 | 4,038 | - | 4,000 | 4,000 | - |
| Multi-option facility (secured)[1] | Nov-19 | 0.0% | 2,000 | 458 | 1,542 | 2,000 | 476 | 1,524 |
| Equipment lease facility (secured) | Apr-24 | 2.0% | 3,025 | 3,025 | - | 3,997 | 3,997 | - |
| Other loans (unsecured) | N2 | 9.95% | 1,585 | 1,585 | - | 900 | 900 | - |
| | | | 25,320 | 23,275 | 1,542 | 25,605 | 24,081 | 1,524 |

[1]Multi-option facility includes bank guarantees (see note 29), amounts due on credit cards and a transactional facility to use direct debits. The undrawn amounts cannot be drawn as cash.
[2] Refer to the following page for the expiry

The weighted average interest rate including margin and line fees on all loans (including both drawn and undrawn amounts) at 30 June 2020 was 4.4%.

## 6. Interest bearing loans and borrowings (continued)

**Bank loans**

The acquisition, working capital and multi option facilities were with the Group's primary financier at 30 June 2020. These facilities were subject to the Group complying with covenants concerning such matters as net leverage ratio and fixed charges ratio. In March 2019, the primary financier advised the Group that it was in breach of financial covenants, and has continued to be in breach.

Subsequent to 30 June 2020, the Group's primary financier had proposed a deed of release for all outstanding bank facilities, however due to the Group being unable to meet the required covenants, the Group was placed into Voluntary Administration on 9 November 2020.

In accordance with the security arrangements of the acquisition, working capital and multi-option facilities, all assets of the Group were secured by floating charge except as identified below.

***Equipment lease facility***

During the prior financial year, the Group entered into an equipment leasing facility to assist with the financing of key items of capital expenditure. In accordance with the security arrangements of the equipment lease facility, specific non-current property plant and equipment items are secured against the facility.

The Group applied AASB 16 Leases at 1 July 2019, and accordingly transferred equipment lease liabilities to lease liabilities. Refer to Note 36 for further details.

***Other loans***

The Group had received three unsecured loans from three separate parties, which comprise:

- $700,000 representing funds to assist with the Group's turnaround plan, at an interest rate of 9.95% per annum and is repayable upon agreement between the Group and the lender at any time after 31 January 2020;
- $585,000 representing retained funds due to the joint venture partner following the sale of the Gatton and Laidley practices in December 2019, at an interest rate of 10% per annum and at call;
- $200,000 provided for working capital purposes to assist the Group to implement its turnaround plan, $100,000 of which is at an interest rate of 10% per annum with the remaining $100,000 interest free and at call. During the year $100,000 was repaid in exchange for share options within the group with a fair value of $42,518. The remaining balance of the loan was forgiven.

As a consequence of the administration all the above loans were subsequently written off.

## 6. Interest bearing loans and borrowings (continued)

### (c) Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Note | Bank Loans | Borrowing Costs (Deferred) | Lease liability | Other loans | Total |
|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Opening balance 1 July 2019** | | **18,708** | **(192)** | **3,997** | **900** | **23,413** |
| Net proceeds from/(repayment of) borrowings | | (500) | - | - | 200 | **(300)** |
| Reallocation to lease liabilities | 36 | - | - | (3,997) | - | **(3,997)** |
| **Total changes from financing cash flows** | | **18,207** | **(192)** | **-** | **1,100** | **19,116** |
| *Other changes* | | | | | | |
| Amortisation of borrowing costs | **2** | - | 50 | - | - | **50** |
| Retained funds from sale of JVP | | - | - | - | 585 | **585** |
| Debt to equity swap | | - | - | - | (100) | **(100)** |
| **Balance at 30 June 2020** | | **18,207** | **(142)** | **-** | **1,585** | **19,651** |

## 7. Joint venture partner contribution

### (a) Accounting for Joint Venture Partner Contribution

Joint venture partner contributions are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. Fair value is the principal amount plus the joint venture's share of any increases or decrease in market value to reporting date.

Joint venture partner contributions are non-interest bearing and are payable when either the joint venture partner or the company terminates the agreement. A Joint venture partner may at any time, but not within the first 12 months, request the Group to procure a purchaser to buy out the joint venture partner. The Group has 12 months from the date the buy-out is requested to procure a purchaser before it is required to pay the joint venture partner the buy-out price under the agreement, subject to the company being able to arrange debt or equity finance on acceptable terms.

The agreements provide the joint venture partner with a right to a profit share payment, being a defined percentage of the relevant practices' earnings before interest and tax. Any joint venture partner losses are accumulated as a reduction against the joint venture partner contribution and are recovered when the relevant practices have positive earnings before interest and tax.

The estimates of amounts expected to be settled less than and more than twelve months after reporting date are:

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| *Expected to be paid* | | |
| No more than twelve months | 11,457 | - |
| More than twelve months | - | 13,730 |
| **Total joint venture partner contributions** | **11,457** | **13,730** |

## 7. Joint venture partner contribution (continued)

The following table presents the changes in joint venture partner contributions for the financial period:

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| Opening balance | 13,730 | 21,435 |
| Items recognised in profit or loss: | | |
| Change in fair value of joint venture partner contributions | (1,265) | (7,102) |
| JVP accrued losses deemed not recoverable | 1,386 | - |
| JVP Liability Forgiveness | - | (432) |
| Acquisition/(disposal) of practices | (1,518) | 1,354 |
| Accumulated joint venture partner losses | (876) | (1,525) |
| **Total joint venture partner contributions** | **11,457** | **13,730** |

### (b) Revaluation of Joint Venture Partner Contribution

The fair value of the Joint Venture Partner Contribution liability reflects the expected payments to be made to the Joint Venture Partners, discounted to present value. These expected payments have been calculated based upon the contractual profit share percentage of the forecast cash flow performance of each Joint Venture Partner (utilising the same underlying forecast cash flow performance assumptions adopted in impairment testing performed over goodwill).

- Year one cashflows are based on recent trading performance or forecast performance for the next 12 months;
- Cash flows in years two to five are based on the expected average percentage growth rate of 3% for revenue and 2.0% for expenses;
- A pre-tax nominal discount rate of 22.0%;
- An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year 5 cash flow as a base and a growth rate of 2%.

The applicable joint venture partner profit share percentage (usually 40%) is applied to the cashflows calculated to then determine the fair value of the joint venture partner contribution.

Based on the above inputs a fair value movement of $1,265,000 was recognised for the year ended 30 June 2020.

### (c) Significant estimate: Impact of possible changes in key assumptions

The valuation of each joint venture partners contribution liability continues to be highly sensitive to a range of assumptions, in particular the growth rates, discount rate and the successful implementation of the turnaround strategy. The following table outlines the sensitivities associated with the liability:

| | Input | Fair Value | Change in fair value |
|---|---|---|---|
| | | $'000 | $'000 |
| Increase pre-tax nominal discount rate 1% | 15.85% | 10,459 | (998) |
| Decrease pre-tax nominal discount rate 1% | 13.85% | 12,631 | 1,174 |
| Increase in growth rate perpetuity 1% | 3.5% | 12,221 | 764 |
| Increase in growth rate perpetuity 1% | 1.5% | 10,807 | (650) |

## Section A3. Non-financial assets and liabilities

### 8. Inventory

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| Inventories at cost | 228 | 558 |
| **Total inventories** | **228** | **558** |
| *Expected to be settled* | | |
| No more than twelve months | 228 | 558 |
| More than twelve months | - | - |
| **Total inventories** | **228** | **558** |

Inventories held for sale and stores of consumable supplies are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of actual costs. Net realisable value is the estimated selling price less estimated costs associated with the sale.

## 9. Property, plant and equipment

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| Leasehold improvements at cost | 2,102 | 2,078 |
| Less accumulated depreciation and impairment | (1,100) | (611) |
| | 1,002 | 1,462 |
| Plant and equipment at cost | 5,799 | 5,465 |
| Less accumulated depreciation and impairment | (2,794) | (1,886) |
| | 3,005 | 3,579 |
| Leased asset at cost | - | 4,741 |
| Less accumulated depreciation and impairment | - | (1,512) |
| | - | 3,229 |
| **Total property, plant and equipment** | **4,007** | **8,270** |

The following table presents the changes in property, plant and equipment for the financial period:

| | Leasehold improvements $'000 | Plant and equipment $'000 | Leased Assets $'000 | Total $'000 |
|---|---|---|---|---|
| **Carrying amount at 30 June 2018** | **1,272** | **6,047** | **-** | **7,319** |
| Additions | 772 | 1,300 | 2,861 | 4,933 |
| Transfers | - | (1,880) | 1,880 | - |
| Disposals | - | (61) | - | (61) |
| Depreciation | (252) | (361) | (783) | (1,396) |
| Impairment | (330) | (1,466) | (729) | (2,525) |
| **Carrying amount at 30 June 2019** | **1,462** | **3,579** | **3,229** | **8,270** |
| Transfer to right-of-use assets | - | - | (3,229) | (3,229) |
| Adjustment to opening written down value | (20) | 32 | | 12 |
| Additions | 73 | 387 | - | 460 |
| Disposals | (28) | (56) | - | (84) |
| Depreciation | (352) | (694) | - | (1,046) |
| Impairment | (133) | (243) | - | (376) |
| **Carrying amount at 30 June 2020** | **1,002** | **3,005** | **-** | **4,007** |

## 9. Property, plant and equipment (continued)

**(a) Accounting for property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation, amortisation and accumulated impairment losses.

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements 5 to 20 years
- Plant and equipment 3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(b) Impairment of property, plant and equipment**

In the process of assessing the recoverable amount of each cash generating unit, an impairment charge was recognised. Where goodwill was impaired to nil, the remaining impairment charge was allocated to property plant and equipment. Please see note 10 for further details.

### *10. Right-of-use Asset and Lease Liabilities*

The Group leases various properties and equipment in the course of its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, including extension options.

Property leases are generally non-cancellable with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require minimum lease payments to be increased by CPI or an agreed percentage. Certain lease agreements have option arrangements to renew the lease for additional terms.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The lease agreements do not impose and covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group. Given the financial statements are being prepared on a liquidation basis, all Right of Use Assets are being written down to an aggregate total of $4m to reflect the realisation value of those assets as recognised during the voluntary administration.

**(a)** ***Amounts recognised in the consolidated statement of financial position***

The consolidated statement of financial position shows the following amounts relating to leases.

| | 30 Jun 20 | 01 Jul 19 |
|---|---|---|
| | $'000 | $'000 |
| **Right-of-use assets** | | |
| Leased properties | 2,218 | 19,003 |
| Leased equipment | - | 3,229 |
| | **2,218** | **22,232** |
| **Lease liabilities** | | |
| Current | 21,322 | 23,000 |
| | **21,322** | **23,000** |

*(b)* ***Net book amounts and movements in right-of-use assets***

| | Leased Properties | Leased Equipment | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Adjustment on adoption of AASB 16 as at 1 July 2019** | **19,003** | **3,229** | **22,232** |
| Adjustment to opening written down balance | - | 39 | 39 |
| Additions | 1,482 | - | 1,482 |
| Disposals | (345) | (56) | (401) |
| Depreciation charge | (2,026) | (1,085) | (3,111) |
| Impairment | (15,896) | (2,127) | (18,023) |
| Closing Balance | 2,218 | - | 2,218 |
| Cost | 20,139 | 4,551 | 22,472 |
| Accumulated depreciation and impairment | (17,921) | (4,551) | (17,921) |
| Closing Balance as at 30 June 2020 | 2,218 | - | 2,218 |

Refer to note 11 for details of impairment testing.

### *10. Right-of-use Asset and Lease Liabilities (continued)*

***Short-term leases and leases of low-value assets***

The Group applies the recognition exemptions to its short-term and low-value leases of property and equipment. Short-term leases are leases with a lease term of 12 months or less. Lease payments on short-term leases and leases of low-value are recognised as an expense on a straight-line basis over the lease term.

***Extension and termination options***

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

**(c) *Accounting for right-of-use assets and lease liabilities***

***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease, being the date that the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its useful life and the lease term.

Right-of-use assets are tested for impairment which replaces the previous requirements to recognise a provision for onerous lease contacts. Any identified impairment loss is accounted for in line with the Group's accounting policy for property, plant and equipment, which is set out in note 11.

***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or rate. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

In May 2020, the International Accounting Standards Board (IASB) published "Covid-19-Related Rent Concessions (Amendment to IFRS 16)" amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequent of COVID-19.

The Group has elected to apply the practical expedient to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient will only apply if:

- The revised consideration is substantially the same or less than the original consideration;
- The reduction in lease payments relates to payments due on or before 30 June 2021; and
- No other substantive changes have been made to the terms of the lease.

## 11. Intangibles

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| Goodwill | 60,090 | 62,904 |
| less: accumulated amortisation and impairment | (60,090) | (28,534) |
| | - | **34,370** |
| Rights, licenses and software | 82 | 82 |
| less: accumulated amortisation and impairment | (82) | (14) |
| | - | **68** |
| **Total intangible assets** | - | **34,438** |

| | Goodwill $'000 | Rights, licenses and software $'000 | Total $'000 |
|---|---|---|---|
| **Carrying amount at 30 June 2018** | **58,568** | - | **58,568** |
| Additions | 4,336 | 82 | 4,418 |
| Amortisation | - | (14) | (14) |
| Impairment | (28,534) | - | (28,534) |
| **Carrying amount at 30 June 2019** | **34,370** | **68** | **34,438** |
| Adjustment to opening written down value | | (6) | (6) |
| Additions | - | - | - |
| Disposals | (1,701) | - | (1,701) |
| Amortisation | - | (16) | (16) |
| Impairment | (32,669) | (46) | (32,715) |
| **Carrying amount at 30 June 2020** | - | - | - |

***Accounting for intangibles***

***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

## 11. Intangibles (continued)

**Amortisation of Intangibles**

Intangibles, other than Goodwill, are amortised (net of their residual) using the straight-line method over their estimated useful lives. Amortisation expense is generally recognised in profit or loss within the depreciation and amortisation expense.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Impairment Testing of Goodwill and Fixed Assets**

Goodwill represents the excess of the cost of an acquisition over its fair value, as at its acquisition date, and is also an intangible asset. It is carried at its cost, less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Other assets, including those that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels (cash generating units) for which there are separately identifiable, independent cash flows. Non-financial assets other than goodwill which are impaired are subsequently reviewed for possible reversal of the impairment at each reporting date. Cash inflows considered for the purposes of impairment testing are discounted to present value.

The Group experienced lower than expected revenues for the year ended 30 June 2020 due to reasons outlined in the review of operations in the Directors Report. Additionally, the share price and market capitalisation of the Group declined significantly in the period, presenting indicators of impairment. Accordingly, the business assessed all intangible assets for impairment at 30 June 2020, making the adjustments identified.

## 12. Deferred tax assets and liabilities

### (a) Deferred tax assets

| | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| *Amounts recognised in the income statement* | | |
| Difference between tax base and carrying amount of fixed assets | - | 694 |
| Accruals | - | 502 |
| Employee entitlements | - | 410 |
| Tax losses | - | 203 |
| Share issue costs | - | 548 |
| Provision for doubtful debts | -- | 156 |
| Other provisions | - | 252 |
| Deferred tax assets | -- | 2,765 |
| Less: amounts set off against deferred tax liabilities | - | (78) |
| **Net deferred tax assets** | **-** | **2,687** |
| **Movements** | | |
| Balance at the beginning of the period | | 2,745 |
| Difference between tax base and carrying amount of fixed assets | - | 694 |
| Accruals | - | 135 |
| Employee entitlements | - | 63 |
| Tax losses | - | (836) |
| Share issue costs – recognised in profit or loss | - | (181) |
| Share issue costs – recognised directly in equity | - | - |
| Provision for doubtful debts | - | 120 |
| Other provisions | - | 25 |
| Balance at the end of the period | - | 2,765 |
| Less: amounts set off against deferred tax liabilities | - | (78) |
| **Net deferred tax assets** | **-** | **2,687** |

## 12. Deferred tax assets and liabilities (continued)

### b) Deferred tax liabilities

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| *Amounts recognised in the income statement* | | |
| Other | - | (78) |
| **Deferred tax liabilities** | **-** | **(78)** |
| | | |
| **Movements** | | |
| Balance at the beginning of the period | - | (114) |
| Other | - | 36 |
| **Deferred tax liabilities** | **-** | **(78)** |

### c) Tax losses

Management have determined that the recovery of deferred tax assets is not probable. Accordingly, deferred tax assets will not be recognised during the year.

### d) Accounting for deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## Section A4. Equity

### 13. Contributed equity

| | 30 Jun 20<br>No. '000 | 30 Jun 19<br>No. '000 | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|---|---|
| **Issued capital** | | | | |
| Ordinary securities fully paid | 148,962 | 66,623 | 43,168 | 39,297 |
| **Total issued capital** | **148,962** | **66,623** | **43,168** | **39,297** |
| **Movement in issued securities during the period** | | | | |
| Balance at the beginning of the period | 66,623 | 57,933 | 39,297 | 38,085 |
| Securities issued | 82,338 | 8,690 | 3,871 | 1,217 |
| Transaction costs on issue of securities, net of tax | - | - | (234) | (5) |
| **Ordinary securities fully paid** | **148,962** | **66,623** | **43,168** | **39,297** |

#### (a) Accounting for contributed equity

Incremental costs directly attributable to the issue of ordinary securities are shown in equity as a deduction, net of tax, from the proceeds.

#### (b) Terms and conditions

Holders of ordinary securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per security at securityholders' meetings. In the event of winding-up of the Parent, ordinary securityholders rank equally with all other securityholders and unsecured creditors and are fully entitled to any proceeds of liquidation.

On 3 October 2019, the Company issued 12,722,666 new ordinary shares at 5 cents, raising $0.6 million to assist with the implementation of the Company's turnaround plan and to meet working capital requirements. The shares rank equally with existing fully paid ordinary shares.

On 21 October 2019, the Company issued 53,900,169 new ordinary shares at 5 cents, raising $2.7 million to assist with the implementation of the Company's turnaround plan and to meet working capital requirements. The shares rank equally with existing fully paid ordinary shares.

On 10 March, the Company issued 11,315,789 new ordinary shares at 3.8 cents, raising $0.43 million to assist with the implementation of the Company's turnaround plan and to meet working capital requirements. The shares rank equally with existing fully paid ordinary shares.

On 30 June 2020 the Company issued 4,400,000 new ordinary shares at 2.5 cents, of which $0.1 million of the issue price for those shares was set off against existing debt of the Company owed to the issuee.

### 14. Reserves

| | Note | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|---|
| Share-based payments | 29 | 50 | - |
| **Total reserves** | | **50** | **-** |

#### Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity-settled share-based payments issued to employees, including key management personnel, as part of their remuneration.

### 15. Dividends and distributions

No dividends were declared or paid by the Group for the year ended 30 June 2020.

## Section A5. Segment information

### 16. Segment Information

An operating segment is a component of the Group that:

- engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Management considers that the business operates as a segment. This conclusion has been made in accordance with requirements of IFRS 8 which requires consideration of:

- Identify the CODM
- Can the component generate revenue and incur expenses from its business activities?
- Are the component's operating results regularly reviewed by the CODM as a basis for resource allocation and performance assessment?
- Is discrete financial information available for the component?

In the case of Smiles, the chief operating decision maker in respect of the business, and all practices is the CEO. Whilst each practice generates discrete revenues and expenses, can produce discrete financial information and has operating results that are regularly reviewed, the CODM monitors the business as one segment being dental practices in Australia.

### Section B. Risk Management

This section discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks. It includes the following notes:



## 17. Critical judgements and estimates

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Estimates and assumptions**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include estimates in respect of:

- Note 12 Deferred tax assets and liabilities
- Note 9 -Property, plant and equipment
- Note 10 Right-of-use assets and lease liabilities
- Note 11 Intangibles
- Note 7 Joint venture partner contribution
- Note 35 Going concern
- Note 34 Subsequent events

**(b) Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, the Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the consolidated financial statements. Going concern is a key judgement as set out in note 35.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under AASB 16, as described in Note 36(b).

## 18. Financial risk management

**(a) Financial risk management objectives**

The Group's principal financial instruments comprise receivables, payables, bank loans, other loans, joint venture partner contributions, cash and short-term deposits.

The Board has ultimate responsibility for the financial risk management process for the Group. The Board reviews and approves the approach to the management of financial risks.

Day-to-day responsibility for the monitoring of financial risk exposure, market movements and the development of an appropriate response, rests with the Chief Financial Officer.

The Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance. The Group uses different methods to measure and mitigate the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates. Ageing analysis and monitoring of specific credit exposures are undertaken to manage credit risk.

## 18. Financial risk management (continued)

### (b) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates, resulting in an adverse impact on financial performance.

The Group's exposure to market interest rates relates to the Group's acquisition and working capital facility of $18.2 million. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The impact of an increase or decrease in average interest rates of 0.75% (75 basis points) throughout the period, with all other variables held constant, is shown in the table below. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The analysis is based on the interest rate risk exposures in existence at reporting date. As the Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on equity apart from the effect on profit.

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| Effect on profit / (loss) before tax and equity | | |
| +0.75% (75 basis points) | (136) | (140) |
| -0.75% (75 basis points) | 136 | 140 |

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations, with the maximum exposure being equal to the carrying amount of these instruments. Credit risk arises from the financial assets of the Group, which includes cash and cash equivalents and receivables.

The credit risk on receivables is limited due to the majority of patients paying for their services up front and no concentration of credit risk exists.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings, assigned by international credit rating agencies.

### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to achieve continuity of funding and flexibility, due to the dynamic nature of the underlying business, using bank overdrafts, bank loans, finance leases and committed available credit lines, equity, in addition to other sources of funds.

Management monitors the maturity and amortisation profile of all debt facilities on a regular basis and reports these to the Board. Debt facilities with the Group's senior lender, National Australia Bank, are shown as current as the company are not in compliance with its covenants.

In March 2019, the primary financier advised the Group that they were in breach of financial covenants, and has continued to be in breach. During the year the Group's primary financier agreed to release and discharge the Company from liability under its various banking facilities upon receipt of $12.0 million by 4 November 2020. The Group was unable to meet these requirements and subsequently was placed into voluntary administration on 9 November 2020.

The combination of FY20 performance as detailed in the review of operations and ongoing monitoring of the debt increases the liquidity risk of the Group.

## 18. Financial risk management (continued)

The table below reflects the contractual maturity of the Group's fixed and floating rate financial liabilities. It shows the undiscounted cash flows, including interest and fees, required to discharge the liabilities. Cash flows for financial liabilities without fixed amount or timing are based on conditions existing at 30 June 2020.

| $'000 | Less than 6 months | 6 to 12 months | 1 to 5 years | More than 5 years | Total Contractual Amounts |
|---|---|---|---|---|---|
| **30 Jun 2020** | | | | | |
| Bank loans | 18,207 | - | - | - | 18,207 |
| Equipment Leases | 531 | 530 | 1,964 | - | 3,025 |
| Other loans | 1,585 | - | - | - | 1,585 |
| Payables and accruals | 8,046 | - | - | - | 8,046 |
| Joint venture partner liabilities | - | - | 11,457 | - | 11,457 |
| | **28,369** | **530** | **13,421** | **-** | **42,320** |
| **30 Jun 2019** | | | | | |
| Bank loans | 19,409 | - | - | - | 19,409 |
| Equipment Leases | 645 | 645 | 3,052 | - | 4,342 |
| Other loans | 740 | 200 | - | - | 940 |
| Payables and accruals | 6,927 | - | - | - | 6,927 |
| Joint venture partner liabilities | - | - | 13,730 | - | 13,730 |
| | **27,721** | **845** | **16,782** | **-** | **45,348** |

## 18. Financial risk management (continued)

**(e) Fair value**

All financial instruments carried at fair value may be grouped into three categories, defined as follows:

Level 1 The fair value is calculated quoted prices in active markets.
Level 2 The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at reporting date, the Group held the following financial instruments measured at fair value:

| $'000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **30 Jun 2020** | | | | |
| *Financial Assets* | - | - | - | - |
| *Financial Liabilities* | | | | |
| Joint venture partner liabilities | - | - | 11,457 | 11,457 |
| | **-** | **-** | **11,457** | **11,457** |
| **30 Jun 2019** | | | | |
| *Financial Assets* | - | - | - | - |
| *Financial Liabilities* | | | | |
| Joint venture partner liabilities | - | - | 13,730 | 13,730 |
| | **-** | **-** | **13,730** | **13,730** |

Joint venture partner liabilities are considered a level 3 financial instrument measured at fair value. Please refer to note 7 for further information on the valuation methodology and sensitivities around the measurement of the joint venture partner contribution liability.

## 19. Capital management

When managing capital, management's objective is to ensure that the Group uses a mix of funding options, while remaining focused on the objective of optimising returns to security holders. Management aims to maintain a capital structure that ensures the lowest weighted average cost of capital available. The Group aims to maintain reported gearing, measured as net debt divided by cash adjusted assets, in the range of 20% to 40%.

As detailed in Note 6, the Group was not in compliance with the covenants associated with its bank facilities. During the year the Group's primary financier agreed to release and discharge the Company from liability under its various banking facilities upon receipt of $12.0 million by 4 November 2020 plus repayment of amounts outstanding on the corporate credit card and temporary JobKeeper facilities. The Group was unable to meet these requirements and subsequently was placed into voluntary administration on 9 November 2020.

## SECTION C. GROUP STRUCTURE

This section explains significant aspects of the Group's structure and the effect of changes on the Group. It includes the following notes:



### 20. Disposal of businesses

The Group sold its Gatton and Laidley practices on 20 December 2019. Details of the sale are set out below:

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| Cash consideration received | 2,000 | - |
| Carrying amount of net assets sold | - | - |
| Gain/(loss) on sale before income tax | **2,000** | **-** |

The financial performance and cash flow information relating to the disposed businesses for the period to the date of disposal are set out below:

| | 30 Jun 20 $'000 | 30 Jun 19 $'000 |
|---|---|---|
| Revenue | - | - |
| Expenses | - | - |
| Profit/(loss) before income tax | **-** | **-** |
| | | |
| Net cash inflow/(outflow) from operating activities | - | - |
| Net cash inflow/(outflow) from investing activities | - | - |
| Net cash inflow/(outflow) from financing activities | - | - |
| Net cash inflow/(outflow) of the disposed practices | **-** | **-** |

The results of disposed businesses are included in the Consolidated Statement of Profit or Loss.

### 21. Interests in other entities

The consolidated financial statements of the Group include the following material entities:

| Entity | Date Acquired/ Incorporation | Place of Incorporation | 2020 |
|---|---|---|---|
| Smiles Southport Pty Ltd (in liquidation) | 26 February 2019 | Australia | 100% |
| Totally Smiles Pty Ltd (in liquidation) | 24 August 2017 | Australia | 100% |
| Distinctive Dental Care Pty Ltd | 20 April 2019 | Australia | 100% |

## SECTION D. HOW THE NUMBERS ARE CALCULATED

This section provides information about the basis of calculation of line items in the financial statements that the Directors do not consider significant in the context of the Group's operations. It includes the following notes:



## 22. Earnings per security

### (a) Calculating earnings per share

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| Loss after income tax attributable to the owners of the Group | (60,914) | (31,002) |
| | #'000 | #'000 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 116,989 | 58,171 |
| | Cents | Cents |
| Basic earnings per share | (52.1) | (53.3) |
| Diluted earnings per share | (51.5) | (53.3) |

### (b) Accounting for earnings per share

*Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the period.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financial costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The diluted earnings per share accounts for 5.2 million options over fully paid ordinary shares issued but unexercised.

## 23. Cash and cash equivalents

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| Cash at bank | 260 | 1,595 |
| **Total cash and cash equivalents** | **260** | **1,595** |

### (a) Accounting for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 24. Provisions

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| Employee provisions | 1,179 | 1,490 |
| Provision for make-good | 905 | 915 |
| **Total provisions** | **2,084** | **2,405** |
| *Expected to be settled* | | |
| No more than twelve months | 2,084 | 792 |
| More than twelve months | - | 1,613 |
| **Total provisions** | **2,084** | **2,405** |

### (a) Accounting for provisions

A provision is recognised where there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

### (b) Accounting for employee entitlements

*Short-term Employee Benefits*

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities, and are measured as the amounts expected to be paid when the liabilities are settled inclusive of on-costs. Sick leave is non-vesting and is expensed as paid.

*Long-term Employee Benefits*

The liabilities for annual leave and long service leave expected to not be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given for expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields as at the reporting date on corporate bond rates with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

## 25. Retained profits/(accumulated losses)

| | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|
| Retained earnings/(accumulated losses) at the beginning of the period | (35,957) | (4,955) |
| Net profit/(loss) from ordinary activities after income tax | (60,914) | (31,002) |
| **Retained earnings/(accumulated losses) at the end of the period** | **(96,871)** | **(35,957)** |

## 26. Notes to the cash flow statements

### (a) Reconciliation of net cash flow from operating activities to profit after income tax

| | 30 Jun 20<br>$'000 | 30 Jun 19<br>$'000 |
|---|---|---|
| Loss for the period | (60,914) | (31,002) |
| *Adjustment for:* | | |
| Depreciation and amortisation | 4,174 | 1,410 |
| Gain/loss on disposal | (1,242) | - |
| Right of asset rent recognition | (1,460) | - |
| Impairment of assets | 51,262 | 31,059 |
| Joint venture contribution revaluation | 121 | (7,102) |
| Joint venture contribution liability forgiveness | - | (433) |
| Provision for doubtful debts | (26) | 436 |
| Net finance costs | 2,289 | 1,300 |
| Interest received | - | (3) |
| Non-Cash Share based payments | 13 | - |
| Debt Forgiveness | (57) | - |
| Interest bearing liability | 241 | - |
| *Change in operating assets and liabilities* | | |
| (Increase) / decrease in receivables | 932 | (33) |
| (Increase) / decrease in other operating assets | (243) | (430) |
| (Increase) / decrease in inventory | 218 | (558) |
| Increase / (decrease) in trade payables | 1,119 | 934 |
| Increase / (decrease) in other operating liabilities | (228) | (16) |
| Increase / (decrease) in provisions | (311) | 76 |
| **Cash (used in)/from operating activities before interest and tax** | **(4,112)** | **(4,362)** |
| Interest paid | (1,251) | (2,752) |
| Interest received | - | 3 |
| Tax paid | - | - |
| **Net cash flows (used in)/from operating activities** | **(5,363)** | **(7,111)** |

## SECTION E. OTHER INFORMATION

This section covers other information that is not directly related to specific line items in the financial statements, as well as information about related party transactions and other statutory information. It includes the following notes:



### 27. Related party transactions

#### (a) Aggregate remuneration of key management personnel

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $ | $ |
| Short-term employment benefits | 744,402 | 1,043,770 |
| Long-term benefits | 39,272 | - |
| Termination benefits | 86,307 | - |
| Share based payments | 7,677 | - |
| **Key management personnel compensation** | **877,658** | **1,043,770** |

#### (b) Other transactions with key management personnel

Other than remuneration for their positions as directors and executives of the Company, key management personnel or entities related to them entered into a number of transactions with the Company. Information on these transactions is set out below.

Amounts recognised in respect of other transactions with key management personnel were:

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $ | $ |
| Revenue from rendering of services | - | 3,031 |
| Revenue from the sale of goods | - | 9,000 |
| Property leasing expenses | 23,089 | - |
| Dental Commission | 250,000 | - |
| Consulting expenses | 40,000 | - |

Key management personnel or their related parties held shares in the Company during 2020, and as such, are entitled to participate in dividends.

## 28. Auditor's remuneration

FSA have been appointed as auditors to replace KPMG subsequent to 30 June 2020. Details of the amounts paid to the auditor of the Group, KPMG and its network firms for audit and non-audit services provided during the period are set out below:

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $ | $ |
| Audit and assurance services | | |
| Audit and review of the financial reports of the Group | | |
| Group - KPMG | 344,131 | 210,000 |
| Non-assurance services | - | - |
| **Total auditor's remuneration** | **344,131** | **210,000** |

## 29. Share Based Payments

The Group agreed to grant a number of senior executives, options to acquire 9.2 million fully paid ordinary shares in the Company in accordance with schemes approved by shareholders.

For accounting purposes options allocated to employees are fair valued as at the grant date using a Black-Scholes model taking into account the terms and conditions upon which they were granted.

A total of 9,200,000 share options were granted during the financial year.

At 30 June 2020 2,500,000 were outstanding. No options expired during the year.

### (a) Share Options Summary

### (i) Granted

| Date | No. of Options | Exercise Price $0.00 | Fair Value at Grant Date | Vesting Conditions |
|---|---|---|---|---|
| 31/12/2019 | 1,350,000 | 0.100 | 0.0060 | Fully Vested as at the date of Grant |
| 31/12/2019 | 1,350,000 | 0.150 | 0.0030 | 100% vest on 31 December 2020 |
| 28/01/2020 | 300,000 | 0.100 | 0.0141 | Fully Vested as at the date of Grant |
| 28/01/2020 | 200,000 | 0.150 | 0.0096 | |
| 17/03/2020 | 1,000,000 | 0.100 | $0.007 | |
| 17/03/2020 | 1,000,000 | 0.150 | 0.0044 | |
| 25/06/2020 | 4,000,000 | 0.250 | 0.0106 | Fully Vested as at the date of Grant |
| | **9,200,000** | | | |

## 29. Share Based Payments continued)

### (ii) Exercised

| Date | No. of Options | Exercise Price $0.00 | Fair Value at Grant Date | Vesting Conditions |
|---|---|---|---|---|
| 25/06/2020 | 4,000,000 | 0.250 | 0.0106 | Fully Vested as at the date of Grant |
| | **4,000,000** | | | |

### ii) Forfeited

| Date | No. of Options | Exercise Price $.00 | Fair Value at Grant Date | Vesting Conditions |
|---|---|---|---|---|
| 14/04/2020 | 1,350,000 | 0.100 | 0.006 | Fully Vested as at the date of Grant |
| 14/04/2020 | 1,350,000 | 0.150 | 0.003 | 100% vest on 31 December 2020 |
| | **2,700,000** | | | |

The inputs used in the measurement of the fair values at grant date of the equity- based options were as follows:

| | Share Options | Share Options | Share Options | Share Options | Share Options | Share Options | Share Options |
|---|---|---|---|---|---|---|---|
| Grant Date | 31/12/19 | 31/12/19 | 28/01/2020 | 28/01/2020 | 17/03/2020 | 17/03/2020 | 25/06/2020 |
| Fair Value at grant Date | $0.006 | $0.003 | $0.0141 | $0.0096 | $0.007 | $0.0044 | $0.0106 |
| Share Price at grant date | $0.05 | $0.05 | $0.05 | $0.05 | $0.035 | $0.035 | $0.035 |
| Exercise Price | $0.10 | $0.15 | $0.10 | $0.15 | $0.10 | $0.15 | $0.25 |
| Expected Volatility | 50% | 50% | 70% | 70% | 70% | 70% | 75% |
| Expected Life | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years |
| Risk Free Rate | 0.75% | 0.75% | 0.88% | 0.88% | 0.54% | 0.54% | 0.25% |

### (b) Expenses recognised in the Profit and Loss

| | | 30 Jun 20 | 30 Jun 19 |
|---|---|---|---|
| Share Options Granted - 2019 | | 58,961 | - |
| Share Options forfeited | | (8,767) | - |
| | 14 | 50,194 | - |
| Debt for equity swap | | (42,581) | - |
| **Total expense recognised as employee costs** | | **7,613** | **-** |

## 30. Parent entity

### (a) Parent financial information

The financial information for the parent entity Smiles Inclusive Limited has been prepared on the same basis as the Group's financial statements except as set out below.

***Controlled entities***

Investments in these entities are carried in the Parent's balance sheet at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the income statement when they are declared.

***Tax consolidation***

Smiles Inclusive Limited and its wholly-owned Australian controlled entities intend to form a tax-consolidated group. The entities in the tax group will entered into a tax sharing agreement to limit the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Smiles Inclusive Limited. A tax funding agreement where the wholly-owned entities fully compensate the head entity for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation will also been entered into. The transfer of such amounts to the head entity is recognised as inter-company receivables or payables.

Each entity in the tax-consolidated group continues to account for its own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Parent also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

### (b) Guarantees

Smiles Inclusive Limited has provided the following financial guarantees:

- Bank guarantees of $300,000; and
- Cross guarantees under the Deed of Cross Guarantee to the subsidiaries listed in Note 21.

No liability was recognised by the Parent in relation to these guarantees, as the fair value is not considered material.

## 31. Deed of cross guarantee

Smile Inclusive Limited, Totally Smiles Pty Limited and Smiles Southport Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

**(a) Consolidated statement of profit or loss, statement of comprehensive income and summary of movements in consolidated retained earnings**

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Smiles Inclusive Limited, they also represent the 'extended closed group'.

The consolidated income statement and balance sheet of the entities that are parties to the Deed of Cross Guarantee are as follows:

| | Closed Group 30 Jun 20 $'000 | Closed Group 30 Jun 19 $'000 |
|---|---|---|
| **Practice revenue** | **27,283** | **34,629** |
| Other income | 3,140 | 146 |
| Direct costs | (6,214) | (4,185) |
| Consumables supplies expenses | (2,522) | (2,560) |
| Employee expenses | (13,403) | (18,634) |
| Marketing expenses | (276) | (767) |
| Occupancy expenses | (651) | (3,843) |
| Administration and other expenses | (11,802) | (8,849) |
| Impairment of goodwill and property, plant & equipment and right of use assets | (51,262) | (31,331) |
| Change in fair value of joint venture partner contribution | 1,265 | 7,102 |
| Depreciation and amortisation expense | (4,174) | (1,410) |
| **Loss before finance costs and income tax** | **(58,616)** | **(29,702)** |
| Net Finance Cost | (2,298) | (1,299) |
| **Loss before income tax** | **(60,914)** | **(31,001)** |
| Income tax benefit | - | - |
| **Loss for the year** | **(60,914)** | **(31,001)** |
| Other comprehensive income | - | - |
| **Total comprehensive loss for the year** | **(60,914)** | **(31,001)** |

## 31. Deed of cross guarantee (continued)

| | Closed Group 30 Jun 20 $'000 | Closed Group 30 Jun 19 $'000 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 260 | 1,595 |
| Receivables and other assets | 2,175 | 2,839 |
| Inventories | 228 | 558 |
| Deferred tax assets | - | 2,687 |
| Property, plant & equipment | 4,007 | 8,269 |
| Right-of-use Assets | 2,218 | - |
| Investments in subsidiaries | 1,869 | 1,869 |
| Intangible assets | - | 32,850 |
| **Total Assets** | **10,757** | **50,667** |
| **Liabilities** | | |
| Payables | 8,046 | 7,207 |
| Deferred revenue | 439 | 570 |
| Provisions | 2,084 | 2,405 |
| Interest bearing liabilities | 19,651 | 23,413 |
| Joint venture partner contribution | 11,457 | 13,730 |
| Deferred tax liabilities | - | - |
| Lease Liability | 21,322 | - |
| **Total Liabilities** | **62,999** | **47,325** |
| **Net Assets** | **(52,242)** | **3,342** |
| | | |
| Contributed equity | 44,579 | 39,297 |
| Reserves | 50 | - |
| Retained earnings | (96,871) | (35,955) |
| **Total Equity** | **(52,242)** | **3,342** |

## 32. Contingent assets and liabilities

The Group had contingent liabilities at 30 June 2020 in respect of:

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| Rental Guarantee contracts | 271 | 258 |
| | **271** | **258** |

The bank guarantees at the end of the financial year relate to security provided under operating leases for premises.

**Litigation**

The Group is also the subject of a number of possible actions or claims. It is currently not possible to determine whether the threatened actions will result in legal proceedings and what the financial impact of them, if any, may be for the Group in the future. In the event the legal proceedings are initiated, the Group intends to defend its position.

## 33. Commitments

**(a) Operating lease commitments**

From 1 July 2019, the group has recognised right of use assets for their operating leases, except for short-term and low value leases, see Note 10 and Note 36(b).

| | 30 Jun 20 | 30 Jun 19 |
|---|---|---|
| | $'000 | $'000 |
| **Non-cancellable operating leases contracted at the reporting date but not recognised as liabilities are as follows:** | | |
| Payable within one year | - | 3,136 |
| Payable later than one year but not more than five years | - | 13,358 |
| Payable later than five years | - | - |
| | **-** | **16,494** |

**(b) Finance Lease commitments**

Finance lease liabilities were included in borrowings until 30 June 2019 however were reclassified to lease liabilities on 1 July 2019 in the process of adopting the new leasing standard. See note 10 and note 36(b) for further information about the change in accounting policy for leases.

| | Future Minimum lease payments | | Interest charges | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| | 30 Jun 20 | 30 Jun 19 | 30 Jun 20 | 30 Jun 19 | 30 Jun 20 | 30 Jun 19 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-cancellable finance leases contracted at the reporting date:** | | | | | | |
| Payable within one year | - | 1,195 | - | 94 | - | 1,101 |
| Payable later than one year but not more than five years | - | 2,802 | - | 249 | - | 2,553 |
| Payable later than five years | - | - | - | - | - | - |
| | | **3,997** | | **343** | | **3,654** |

## 33. Commitments (continued)

### (c) Accounting for leases pre 1 July 2019

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception at the lower of the fair value of the lease asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding.

The interest element of the finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

## 34. Events occurring after balance date

### Directors and senior management

In September 2020, Mr Peter Evans resigned as Non-executive Director and was replaced by Dr Genna Levitch.

In November 2020, Mr Peter Fuller resigned as Non-executive Director.

In November 2020 the Group entered voluntary administration and the powers of directors and senior management were suspended.

In July 2021 David Usasz, Genna Levitch and Michelle Aquilina resigned as directors, and Dr Iain Gray, Marsha Thulkanam and Mark van Wyk were appointed directors.

### Financing arrangements

The Group's primary financier agreed to release and discharge the Company from liability under its various banking facilities upon receipt of $12.0 million plus repayment of amounts outstanding on the corporate credit card and temporary JobKeeper facilities. The Group was unable to meet these requirements and subsequently was placed into voluntary administration on 9 November 2020.

### Sale of practices

The Group sold its Miranda and Yarram practices in July 2020 and August 2020 respectively, with proceeds used for the reduction of debt and working capital purposes. In addition, the Group restructured the dentures and mobile divisions, resulting in the consolidation of 15 tenancies. The Group also entered into a JVP buyout for Clayfield and Glen Waverley practices.

## 35. Going Concern

During the year ended 30 June 2020 the Group incurred a net loss before tax of $60.9 million and had net cash outflows from operating activities of $5.4 million. As at 30 June 2020, the Group had a net asset deficiency of $54 million, and cash of $260,000 dollars.

On 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators of the Group. The Creditors Report which was released on 23 June 2021 indicated that the administrators formed the opinion that the Group was insolvent.

On 2 July 2021 a second creditors meeting was held and creditors voted in favour of the Company entering a Deed of Company Arrangement (DOCA) with Exit Solutions Ltd. Due to the appointment of the Voluntary Administrators of the Group and the fact the Group was no longer satisfying the criteria to report as a going concern these financial statements have now been prepared on a liquidation basis.

## 36. Other accounting policies

Significant accounting policies relating to particular items are set out in the financial report next to the item to which they relate. Other significant accounting policies adopted in the preparation of the financial report are set out below. All these policies have been consistently applied to all years presented, unless otherwise stated.

**(a) Basis of preparation**

On 9 November 2020 the Company was placed into voluntary administration and Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as administrators.

Following appointment of the administrator, the powers of the Company's officers (including directors) were suspended, and the administrator assumed control of the Company's business, property and affairs.

The financial report has been prepared by Directors who were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems. Accordingly, the consolidated financial report has been prepared based on financial information which is believed (rather than known) to be accurate and complete. The Directors who prepared this financial report were appointed on 29 July 2021. Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 30 June 2020.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the accounting system. However, there may be information of which the current directors are unaware and as such have not been able to obtain, the impact of which may or may not be material on the accounts.

So far as the Directors are aware, having taken reasonable steps to identify and correct any deficiencies, these financial statements contain all the required information and disclosures in relation to transactions undertaken by the Company.

Financial statements are normally prepared on a going concern basis where there is neither an intention nor a need to materially curtail the scale of the entity's operations. If such an intention or need exists, as is the case in this financial report, the financial statements cannot be prepared on a going concern basis. The directors have applied the requirements of paragraph 25 AASB 101 *Presentation of Financial Statements*:

> *… When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.*

An event after balance date was the appointment of an administrator on 9 November 2020. This caused the company to no longer satisfy the criteria to report as a going concern.

Consequently, because the Directors have prepared this financial report to the best of their knowledge based on all of the information of which they are aware, they are of the opinion that it is possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations and other authoritative pronouncements of the Australian Accounting Standards Board as they apply on a liquidation basis and the Corporations Act 2001, and that this financial report gives a true and fair view of the Group's financial position as at 30 June 2020 and for the year then ended.

**AASB 16 Leases**

The Group had adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019 but had not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. This method leads to nil impact on net assets at transition. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening Consolidated Statement of Financial Position on 1 July 2019. The new accounting policies are disclosed in note 10.

The Group leased various properties and equipment in the course of its operations. Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions, including extension options. Lease agreements did not impose and covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

Prior to 1 July 2019, leases of property (operating leases) were disclosed as commitments. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss as occupancy expenses.

From 1 July 2019, the Group applied a single recognition and measurement approach for all leases in which it is the lessee, except for short-term ad low-value assets. Leases were recognised as a right-of-use asset and a corresponding liability as the date at which the leased asset is available for use by the Group. Each lease payment reduces the lease liability and recognises interest expense within finance costs. The interest expense was charged to profit or loss over the lease period to produce a constant periodic rate of interest in the remaining balance of the liability for each period. The right-of-use asset was depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

## 36. Other accounting policies (continued)

*Practical expedients*

In applying AASB 16 *Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the accounting for operating leases with a cost of $10,000 or less as low value leases:
- the exclusion of initial direct costs for the measurement of the right-of-use asset as the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

*Measurement of lease liabilities*

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of AASB 117 *Leases* (the accounting standard in force prior to 1 July 2019). These liabilities were measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 5.73%.

A reconciliation between Operating Leases disclosed as Commitments to the Lease Liability on transition is below:

| | 01 Jul 19 |
|---|---|
| | $'000 |
| **Operating Lease Commitments disclosed as at 30 June 2019** | **16,494** |
| Add: Adjustments as a result of different treatment of extension and termination options | 5,018 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | (2,509) |
| Add: Finance lease liabilities recognised as at 30 June 2020 | 3,997 |
| **Lease liabilities** | **23,000** |

*Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured using the modified retrospective method from 1 July 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted for existing onerous lease provisions, prepayments and make good assets recognised in the Consolidated Statement of Financial Position as at 30 June 2020.

## 36. Other accounting policies (continued)

Set out below are the movements in assets and liabilities recognised on adoption of AASB 16 *Leases*:

| | 01 Jul 19 |
|---|---|
| | $'000 |
| **Assets** | |
| Increase in right-of-use assets | 22,232 |
| Decrease in property, plant and equipment | (3,229) |
| **Total assets** | **19,003** |
| | |
| **Liabilities** | |
| Increase in lease liabilities | 23,000 |
| Decrease in interest bearing liabilities | (3,997) |
| **Total liabilities** | **19,003** |

### (c) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 20 June 2020 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (d) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non- controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

***Functional and presentation currency***

The Group's financial statements are presented in Australian dollars, which is Smiles Inclusive Limited's functional and presentation currency.

### (e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (f) Rounding of amounts

The Company is of a kind referred to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding instrument). Pursuant to this instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

# Directors' Declaration

In the opinion of the Directors of the Company:

1. As set out in Note 36(a), the Directors have prepared the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report to the best of their knowledge based on the information made available to them and they are of the opinion that it is possible to state that the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001 including:

   (a) Complying with Australian Accounting Standards and other mandatory professional reporting requirements as they apply on a liquidation basis;

   (b) Giving a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated group; and

   (c) Complying with international Accounting Standards.

2. In accordance with the matters highlighted in Note 36(a), the financial statements have been prepared on the liquidation basis.

3. There are reasonable grounds to believe that Smiles Inclusive Limited (subject to a deed of company arrangement) will be able to pay its debts as and when they become due and payable.

4. There are not reasonable grounds to believe that Totally Smiles Pty Ltd (in liquidation) will be able to pay its debts as and when they become due and payable.

5. At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

The directors have been given the declaration required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

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

MThulkanam

Marshini Thulkanam
Director
Gold Coast

29 September 2021

Iain Gray
Director
Gold Coast

29 September 2021

FSA
TAX AUDIT ADVISORY

## INDEPENDENT AUDITOR'S REPORT

To the members of Smiles Inclusive Limited

### Report on the Audit of the Financial Report

### Disclaimer of Opinion

We were engaged to audit the financial report of Smiles Inclusive Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

### Basis for Disclaimer of Opinion

As disclosed in note 36(a) to the financial statements, on 9 November 2020, Smiles Inclusive Limited was placed into voluntary administration. Following the appointment of the administrators, the powers of the directors and officers of Smiles Inclusive Limited were suspended and the administrators assumed control of the Company's business, property and affairs.

Due to the circumstances, the directors were unable to obtain all the necessary books and records pertaining to the consolidated entity. New directors were appointed 29 July 2021.

Accordingly, the financial report for the year ended 30 June 2020 has been prepared by the directors without the benefit of complete information being available for the consolidated entity.

As the remaining records are not adequate to permit the application of necessary audit procedures, we are unable to obtain all the information and explanations we require in order to form an opinion on the financial report.

### Responsibilities of the directors for the Financial Report

The directors of the Group are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Report on the Remuneration Report**

Our responsibility is to express an opinion on the Remuneration Report included on pages 11 to 17 of the Directors' Report for the year ended 30 June 2020 in accordance with section 300A of the *Corporations Act 2001*.

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Remuneration Report.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

FSA Audit Pty Ltd

Mark du Plessis

Partner

Registered Company Auditor - 471680

Date: 29th September 2021

Brisbane

# Shareholder and Other Information
As at 28 September 2021

## Distribution of Equity Security Holders

| Range | Number of equity security holders |
|---|---|
| 1 – 1,000 | 45 |
| 1,001 – 5,000 | 263 |
| 5,001 – 10,000 | 180 |
| 10,001 – 100,000 | 369 |
| 100,001 and over | 159 |
| **Total** | 1,016 |

There were 586 holders of less than a marketable parcel of ordinary shares.

## Twenty Largest Shareholders

| Name | Number of ordinary shares held | Percentage of issued shares % |
|---|---|---|
| PHI LONG INVESTMENT PTY LTD | 21,461,789 | 13.48% |
| 2020 ASSET MANAGEMENT PTY LTD | 11,600,000 | 7.28% |
| MR JACOB GILMORE | 7,700,323 | 4.84% |
| ASHBOURNE PARK PTY LTD | 6,607,965 | 4.15% |
| HOLZRC PTY LTD | 6,000,000 | 3.77% |
| MR JEREMIAS CORNELIUS OLIVIER | 5,919,276 | 3.72% |
| FULLERCORP PROPERTIES PTY LTD | 4,209,180 | 2.64% |
| LODKA PTY LTD | 3,350,000 | 2.10% |
| D J RYAN NOMINEES PTY LTD | 3,167,860 | 1.99% |
| UPPER AVALON PTY LTD | 3,154,000 | 1.98% |
| MORBRIDE PTY LTD | 3,100,000 | 1.95% |
| CDENTIST PTY LTD | 3,000,000 | 1.88% |
| HANCROFT PTY LTD | 2,676,000 | 1.68% |
| ANTHONY MARK MCCORMACK & | 2,000,000 | 1.26% |
| SUSAN LOUISE ABRAHAMS | 2,000,000 | 1.26% |
| JUST PADDLING PTY LTD | 2,000,000 | 1.26% |
| T B I C PTY LTD | 1,612,712 | 1.01% |
| MISS WEIYU CHEN | 1,470,000 | 0.92% |
| MR DAVID FREDERICK OAKLEY | 1,420,000 | 0.89% |
| MORE GROUP PTY LTD | 1,249,696 | 0.78% |
| **Total** | 93,698,801 | 58.84% |
| Other holders | 65,533,658 | 41.16% |
| **Total quoted equity securities** | 159,232,459 | 100.00% |

# Shareholder and Other Information
As at 28 September 2021

## Substantial Shareholders

| Name | Number of ordinary shares held | Percentage of issued shares<br>% |
|---|---|---|
| Phi Long Investment Pty Ltd | 21,461,789 | 13.48 |
| 2020 ASSET MANAGEMENT PTY LTD | 11,600,000 | 7.28 |

## Voting Rights

Each ordinary share carries the right to one vote.

## Shares Subject to Escrow/Restrictions

At the date of this report there are the following restricted securities or securities subject to voluntary escrow.

| Number of shares | Escrow period | Voluntary escrow / ASX restrictions |
|---|---|---|
| 5,450,000 | Until 21 September 2021 | Voluntary escrow |
| 4,821,000 | Until 6 October 2021 | Voluntary escrow |

## Other Information

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

In accordance with Listing Rule 4.10.18, the Company states that there is no current on-market buyback.