ABN 27 621 105 824
ACN 621 105 824

ASX Announcement
2 March 2022

Smiles Inclusive Limited: Half year results – 31 December 2020

Smiles Inclusive Limited (ASX: **SIL**) today announced its financial results for the half year ended 31 December 2020.

Key financial outcomes:

- Practice revenue (statutory) of $10.4 million, (1H FY19/20: $17.8m)
- Net loss after tax (statutory) of $1.9 million (1H FY19/20: $13.6m)
- Net loss after tax (underlying) of $0.3 million (1H FY19/20: NPAT $4.6m)

Operational Update

Since 1 July 2020, the Company had continued the implementation of the turnaround plan however was unsuccessful in raising capital in time to meet the requirements with NAB to execute a deed of release to discharge and release its obligations under various banking facilities.

During the period, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators on 9 November 2020.

Refinancing Update

In October 2020, Smiles Inclusive signed an underwriting agreement with Aitken Murray Capital Partners Pty Ltd and intended to raise approximately $8 million ($7.6 million after transaction expenses) via a fully underwritten rights issue at an issue price of 2.5c per share. Genesis Capital (Private Equity Group) agreed to a placement of shares at 2.5c per share for a total $6 million.

Smiles Inclusive had also agreed with NAB to revise the terms of its Release Deed. NAB has agreed to release and discharge the Company from liability under its various banking facilities on receipt of payment of $12 million plus amounts owing under credit card, bank guarantee and JobKeeper facilities and reasonable associated expenses by 3 November 2020. The total debt balance held with NAB at close of business 27 October 2020 was $19.1 million. The agreement with NAB required the necessary funds to be raised by 2 November 2020. Smiles Inclusive (SIL) was unable to comply with the timeframes for repayments specified in that agreement. NAB advised the board to appoint Deloitte Restructuring Services as Voluntary Administrators. Subsequently, on 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators of the Group.

Smiles Inclusive Limited (ASX:SIL)

Appendix 4D

Results for Announcement to the Market

Reporting period: Half year ended 31 December 2020
Previous corresponding period: Half year ended 31 December 2019

Statutory Financial Results	31 Dec 20	31 Dec 19	Movement up/(down)	
	$'000	$'000	$'000	%
Revenue from ordinary activities	10,389	17,778	(7,839)	(58.4%)
Loss from ordinary activities after tax [1]	(1,865)	(13,615)	(11,750)	(730%)
Net loss attributable to members	(1,865)	(13,615)	(11,750)	(730%)
Earnings per share (basic and diluted) - cents per share	(1.2)	(13.8)	12.6	(91.3%)
Underlying Financial Results[2]	**31-Dec-20**	**31-Dec-19**	**Movement up/(down)**	
	$'000	**$'000**	**$'000**	**%**
Revenue from ordinary activities	10,389	17,778	(2,382)	(58.4%)
Profit/(Loss) from ordinary activities after tax	269	585	(4,640)	217.5%
Net profit/(loss) attributable to members	269	(4,640)	(5,225)	217.5%)
Earnings/(loss) per share (basic and diluted) - cents per share	0.2	(4.7)	4.5	450%

Reconciliation from Statutory to Underlying Financial Results	31 Dec 20	31 Dec 19	Movement up/(down)	
	$'000	$'000	$'000	%
Statutory loss after tax	**(1,865)**	**(13,615)**	11,666	N/A
Integration costs	-	-	-	N/A
Business transaction costs: once-off costs	84	93	93	
Significant practice events	-	-	-	N/A
Net impairment and revaluation	(2,218)	6,030	3,812	N/A
Deferred Tax assets not recognised	-	2,687	2,687	N/A
Impact of AASB 16 Leases accounting	-	278	278	N/A
(Gain)/loss on disposal of practices	-	(113)	113	N/A
Income tax effect of adjustments	-	-	826	N/A
Underlying loss after tax	**269**	**(4,640)**	(5,225)	N/A

For further explanation of the statutory and underlying figures above refer to the accompanying Interim Report for the half year ended 31 December 2020, which includes the Directors' Report.

The Interim Results Presentation released in conjunction with this Results Announcement provides further analysis of the results for the half year ended 31 December 2020.

Dividends	Amount per security (cps)	Franked amount
Dividends paid		
FY 2019 final dividend	Nil	N/A
Dividends declared		
FY 2019 dividend declared	Nil	N/A
Record date for determining entitlements to the dividend	N/A	N/A
Date dividend payable	N/A	N/A

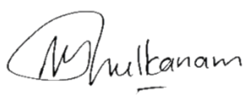
Dividends	Amount per security (cps)	Franked amount
Dividends paid		
FY 2019 final dividend	Nil	N/A
Dividends declared		
FY 2019 dividend declared	Nil	N/A
Record date for determining entitlements to the dividend	N/A	N/A
Date dividend payable	N/A	N/A

The Company does not currently offer a dividend reinvestment plan.

Net Tangible Assets/(Liabilities) Per Security	31 Dec 20	31 Dec 19	Movement up/(down)	
	Cents	Cents	Cents	%
Net tangible liabilities per ordinary security	(39.7)	(35.4)	(4.3)	12.1%

Independent Review by Auditor
The financial statements were reviewed by the auditor and the review report is attached as part of the Interim Report.

Joint Ventures, Foreign Entities and Control Gained or Lost Over Entities Not applicable during the period of the previous corresponding period.



Marshini Thulkanam
Director

Smiles Inclusive Limited

Date: 2 March 2022

ABN 27 621 105 824
ACN 621 105 824

Smiles Inclusive Limited

Interim Report

31 December 2020

This half-year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half-year financial report in accordance with the Corporations Act 2001. This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Smiles Inclusive Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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DIRECTORS' REPORT

The Directors of Smiles Inclusive Limited ("the Company") present their report together with the consolidated interim financial statements for the six months ended 31 December 2020 and the auditor's review report thereon.

DIRECTORS AND OFFICERS

The Directors and Company Secretary of the Company at any time during or since the end of the period are as follows:

Current Directors

Iain Gray	Non-Executive Director (Appointed 28 July 2021)
Marshini Thulkanam	Managing Director and Company Secretary (Appointed 28 July 2021)
Mark Rudulph Van Wyk	Non-Executive Director (Appointed 29 July 2021)

Previous Directors and Officers

David Usasz	Non-Executive Director and Chairman (Appointed as Chairman 22 May 2019)
Peter Evans	Non-Executive Director (Appointed 1 August 2018, resigned 23 September 2020)
Peter Fuller	Non-Executive Director (Appointed 25 June 2019, resigned 05 November 2020)
Genna Levitch	Non-Executive Director (Appointed 24 September 2020, resigned 28 July 2021)
Michelle Aquilina	Managing Director (Appointed 14 April 2020, resigned 28 July 2021)
Andrew Ritter	Company Secretary (Appointed 15 May 2020, resigned 03 February 2022)

PRINCIPAL ACTIVITIES

During the period the principal continuing activities of the Group consisted of the operation of dental practices. The Group owns and operates fully serviced treatment rooms, providing equipment, consumables, marketing, and administrative services to dentists through the Totally Smiles Dental Group.

REVIEW OF OPERATIONS

Key results

Key financial outcomes of the Group's 31 December 2020 results are:

- practice revenue (net of direct costs) of $9.2 million;
- statutory loss after tax of $1.9 million;
- underlying trading gain of $0.3 million;
- cash balances $1.6 million.

The key financial metrics for the business for the period are presented below:

Adjustments to the statutory income statement (unaudited)	31 December 2020 $'000	31 December 2019 $'000	Change $'000	Change %
Underlying profit/(loss) after tax	**269**	**(4,640)**	**4,909**	**N/A**
Integration costs	-	-	-	N/A
Business transaction costs	84	(93)	93	N/A
Significant practice events	-	-	-	N/A
Net impairment and revaluation	(2,218)	(6,030)	3,812	N/A
Deferred tax assets not recognised	-	(2,687)	2,687	N/A
Impact of AASB 16 Leases accounting	-	(278)	278	N/A
Gain/(loss) on disposal of practices	-	113	(113)	N/A
Income tax effect of adjustments	-	-	-	N/A
Statutory loss after tax	**(1,865)**	**(13,615)**	**11,666**	**N/A**

GOING CONCERN

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 unable trade out of administration. On this basis of the view formed by the administrators, the accounts have now been prepared on the basis the company is no longer a going concern and they have agreed to a Deed of Company Agreement 'DOCA' with Exit Solutions Ltd in late June 2021.

DIVIDENDS

No dividends were declared by the Group for the half year ended 31 December 2020 or up to the date of signing.

CURRENT AND SUBSEQUENT EVENTS

As of 9 November 2020, all employment contracts were terminated, except for those employees that the administrator had deemed necessary to continue the operation of the business, while the administrators sought prospective buyers for the assets of the Group.

In January 2021, Michelle Aquilina resigned from the position as CEO for Totally Smiles.

In the first quarter of 2021, Genesis Capital had completed the acquisition of assets by Totally Smiles.

On 30 June 2021, Smiles Inclusive (SIL) was liquidated, therefore had nil assets or liabilities and creditors were paid in line with the Creditors Report provided by Deloitte Restructuring Services.

On 23 July 2021 a Deed of Company Arrangement (DOCA) was executed by Exit Solutions Ltd to take ownership of Smiles Inclusive (SIL). This acquisition did not include the wholly owned subsidiary Totally Smiles.

ROUNDING OFF

The Company 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 interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

PROCEEDINGS ON BEHALF OF THE COMPANY

The Group is not subject to any legal proceedings as at the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 8and forms part of the directors' report for the six months ended

Smiles Inclusive Limited Interim Financial Report 31 December 2020

Signed in accordance with a resolution of the directors:

Marshini Thulkanam
Director

2 March 2022

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, in relation to the review of Smiles Inclusive Limited for the half-year ended 31 December 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: 2nd March 2022
Brisbane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Note	31 Dec 20 $'000	31 Dec 19 $'000
Practice revenue	3	**10,389**	**17,778**
JobKeeper Wage Subsidy	3	2,561	-
Other income	3	616	58
Direct costs		(1,222)	(1,318)
Consumables supplies expenses		(588)	(1,477)
Employee expenses		(4,147)	(10,416)
Marketing expenses		(76)	(146)
Occupancy expenses		(1,554)	(521)
Administration and other expenses		(5,710)	(5,442)
Depreciation and amortisation expense		-	(2,134)
Loss before finance costs, income tax, impairment and changes in fair value		**269**	**(3,618)**
Impairment of goodwill and property, plant & equipment	6	(2,218)	(7,416)
Change in fair value of joint venture partner contribution		-	1,386
Net impairment and changes in fair value		(2,218)	(6,030)
Loss before finance costs and income tax		**(1,949)**	**(9,648)**
Net Finance Cost		84	(1,280)
Loss before income tax		**(1,865)**	**(10,928)**
Income tax benefit / expense[1]			(2,687)
Loss for the year		**(1,865)**	**(13,615)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(1,865)**	**(13,615)**

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

Basic earnings per share (cents per share)		(1.2)	(13.8)
Diluted earnings per share (cents per share)		(1.2)	(13.8)

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	31 Dec 20 $'000	31 Dec 19 $'000
Assets			
Cash and cash equivalents		1,553	1,017
Receivables and other assets		1,839	3,001
Inventories		228	542
Deferred tax assets		-	-
Property, plant & equipment	5	4,314	3,588
Right-of-use assets	6	-	18,677
Intangible assets		-	27,783
Total Assets		**7,934**	**54,608**
Liabilities			
Interest bearing liabilities	8	19,668	19,353
Payables		10,339	5,780
Lease Liabilities		21,158	20,934
Deferred revenue		438	465
Provisions		864	2,192
Joint Venture Partner Contribution	9	11,204	13,055
Total Liabilities		**63,371**	**61,779**
Net Assets		**(55,738)**	**(7,171)**
Contributed equity	10	43,174	42,392
Reserves		50	9
Retained earnings / (accumulated losses)		(98,961)	(49,572)
Total Equity		**(55,738)**	**(7,171)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings/ (accumulated losses) $'000	Total Equity $'000
Opening Balance at 1 July 2020		**42,934**	**50**	**(97,096)**	**(54,112)**
Total comprehensive loss for the half-year		-		(1,865)	(1,865)
Transactions with owners of the Company					
Issue of securities	10	240	-	-	240
Options granted – employees		-	-	-	-
Capital raising costs	10	-		-	-
Balance at 31 December 2020		**43,174**	**50**	**(98,961)**	**55,738**

	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings/ (accumulated losses) $'000	Total Equity $'000
Opening Balance at 1 July 2019		**39,297**	**-**	**(35,957)**	**3,340**
Total comprehensive loss for the half-year		-	-	(13,615)	(13,615)
Transactions with owners of the Company					
Issue of securities	11	3,329	-	-	3,329
Options granted - employees		-	9	-	9
Capital raising costs	11	(234)	-	-	(234)
Balance at 31 December 2019		**42,392**	**9**	**(49,572)**	**(7,171)**

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 31 December 2020

	Note	31 Dec 20 $'000	31 Dec 2019 $'000
Cash flow from operating activities			
Receipts from patients		13,976	23,667
Other Income		2,835	-
Payments to suppliers and employees		(14,691)	(27,113)
Interest received		-	-
Finance costs including interest and joint venture partner profits paid		(1,033)	(554)
Payments made for liquidators remuneration		-	-
Net cash flows from/(used in) operating activities		**1,087**	**(4,000)**
Cash flows from investing activities			
Payments for property, plant and equipment		(153)	(242)
Proceeds from disposal of property, plant and equipment		-	-
Payments for practices, net of cash received		-	-
Proceeds from disposal of practices		461	2,000
Payment for rental bond term deposits		-	-
Net cash flows (used in)/ from investing activities		**308**	**1,758**
Cash flow from financing activities			
Proceeds from issue of securities		229	3,329
Costs associated with issue of securities		-	(234)
Net proceeds from borrowings		(331)	(674)
Proceeds from sale & leaseback of property, plant and equipment		-	-
Lease payments		-	(757)
Payment for debt issue costs		-	-
Net cash flows (used in)/ from financing activities		**(102)**	**1,664**
Net increase/(decrease) in cash and cash equivalents		1,293	(578)
Cash and cash equivalents at the beginning of the year		260	1,595
Cash and cash equivalents at the end of the year		**1,553**	**1,017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Reporting Entity

This consolidated interim financial report for the half year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Smiles Inclusive Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This interim financial report was approved by the Board of Directors on the date of signing.

(b) Basis of preparation

These interim financial statements have been prepared on an accrual basis up until 9 November 2020. From 10 November 2020 to 30 June 2021, Deloitte Restructuring Services prepared the financial information on a cash basis which was used in part for the preparation of these interim financial statements. These financial statements recognise historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair value of consideration given in exchange for assets.

All amounts are presented in Australian dollars, which is the Company's functional currency.

Except as described below, the accounting policies adopted in preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2020. If applicable, additional accounting policies are presented for new types of transactions that have occurred since the end of the previous financial year.

This is the first set of the Group's financial statements where AASB 16 Leases has been applied.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. 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.

(c) New Standards, interpretations and amendments adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group has changed its accounting policies as a result of adopting AASB 16 Leases. The impact of the adoption of the leasing standard and the new accounting policy in relation to the standard is disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

In applying AASB 16 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 leases with a remaining lease term of less than 12 months as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at 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.

Refer to Note 6 for further disclosure of the right-of-use asset and lease liability.

(d) Use of judgements and estimates

In preparing these interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 below.

During the half year ended 31 December 2020 management reassessed its estimates in respect of:

Note 4 Income tax
Note 5 Property, plant and equipment
Note 6 Right-of-use Asset and Lease Liability
Note 9 Joint venture partner contribution
Note 12 Going concern
Note 13 Subsequent events

(e) Financial risk management

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. The Group manages liquidity risk, where possible, by continuously monitoring forecast and actual cash flows to ensure sufficient liquidity is always available to meet liability obligations as they fall due. Ageing analysis and monitoring of specific credit exposures are undertaken to manage credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating Segments

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.

The Group also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board.

Operating segments are identified based on internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. Management review segment performance on a practice level, or where two or more practices share cashflows, at a joint venture partner level. This represents the lowest level at which cash generating units are measured.

Individual cash generating units are aggregated for segment purposes as the Group's activities are within the dental sector located in Australia and are consistent for the Group as a whole.

The Group's revenue relates to the provision of dental services to Australian customers.

3. Revenue

The Groups operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

	31 Dec 20 $'000	31 Dec 19 $'000
Dental service fees	10,224	17.411
Laboratory fees	165	367
Total practice revenue	**10,389**	**17,778**

4. Income tax

The Group had previously determined that the recovery of deferred tax assets is not probable. Accordingly, deferred tax assets were derecognised in the previous reporting period. No further tax impact has occurred in the current reporting period.

5. Property, Plant and Equipment

Movements in the value of Property, Plant and equipment are set out below:

	Leasehold improvements $'000	Plant and equipment $'000	Leased Assets $'000	Total $'000
Opening balance at 1 Jul 2020	**1,002**	**3.005**	**-**	**4,007**
Transfer to right-of-use assets	-	-	-	0
Additions	-	394	-	394
Disposals	(87)	-	-	(87)
Depreciation	-	-	-	-
Impairment	-	-	-	-
Carrying amount at 31 December 2020	**915**	**3,399**	**-**	**4,314**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Right-of-use Asset and Lease Liability

(a) Right-of-use Assets

Movements in the value of right-of-use are set out below:

	Leased Properties $'000	Leased equipment $'000	Total $'000
AASB 16 as at 1 July 2020	**2,218**	-	**22,232**
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	-	-	-
Impairment	(2,218)	-	(2,218)
Closing Balance	-	-	-
Cost	2,218	-	2,218
Accumulated depreciation and impairment	(2.218)	-	(2,218)
Closing Balance as at 31 December 20120	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Disposal of Businesses

In December 2020, the Administrators had sold a dental practice for $132,000. This process continued from January 2021 with the sale of a large quantity of practices to Genesis Capital and several other smaller transactions of individual practices through to 30 June 2021.

8. Interest bearing loans and borrowings

	31 Dec 20 $'000	31 Dec 19 $'000
Secured		
Bank loans	18,207	18,034
Borrowing Costs (Deferred)	(124)	(166)
Equipment lease facility	-	-
Other loans	1,585	1,485
	19,668	19,353

Bank loans

In October 2020, Smiles Inclusive signed an underwriting agreement with Aitken Murray Capital Partners Pty Ltd and intended to raise approximately $8 million ($7.6 million after transaction expenses) via a fully underwritten rights issue at an issue price of 2.5c per share. Genesis Capital (Private Equity Group) agreed to a placement of shares at 2.5c per share for a total $6 million.

Smiles Inclusive had also agreed with NAB to revise the terms of its Release Deed. NAB has agreed to release and discharge the Company from liability under its various banking facilities on receipt of payment of $12 million plus amounts owing under credit card, bank guarantee and JobKeeper facilities and reasonable associated expenses by 3 November 2020. The total debt balance held with NAB at close of business 27 October 2020 was $19.1 million. The agreement with NAB required the necessary funds to be raised by 2 November 2020. Smiles Inclusive (SIL) was unable to comply with the timeframes for repayments specified in that agreement.

Smiles Inclusive (SIL) was unable to comply with the timeframes for repayments specified in that agreement. NAB advised the board to appoint Deloitte Restructuring Services as Voluntary Administrators. Subsequently, on 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators of the Group.

Equipment lease facility

The Group has 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 property plant and equipment items are secured against the facility.

Other loans

The Group has 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;
- $300,000 provided for working capital purposes to assist the Group to implement its turnaround plan, $200,000 of which is at an interest rate of 10% per annum with the remaining $100,000 interest free and at call.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. 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 amount payable on demand and is measured at 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 at the end of the joint venture 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.

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.

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

	31 Dec 20 $'000	30 Dec 19 $'000
Expected to be paid		
No more than twelve months	11,206	13.055
More than twelve months	-	-
Total joint venture partner contributions	**11,206**	**13,055**

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

	31 Dec 20 $'000	31 Dec 19 $'000
Opening balance	13,730	21,435
Items recognised in profit or loss		
Change in fair value of joint venture partner contributions	-	(7,102)
JVP Liability Forgiveness	-	(432)
JVP accrued losses deemed not recoverable	-	-
Acquisition/(disposal) of practices	-	1,354
Accumulated joint venture partner losses	-	(1,525)
Total joint venture partner contributions	**13,730**	**13,730**

10. Contributed Equity

	31 Dec 20 $'000	31 Dec 19 $'000
Issued capital		
Ordinary securities fully paid	43,174	42,392
Total issued capital	43,174	42,392
Number of Ordinary securities fully paid	**159,232,459**	**133,245,670**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Movements in ordinary share capital

	31 Dec 20 No. '000	31 Dec 19 No. '000	31 Dec 20 $'000	31 Dec 19 $'000
Issued capital				
Ordinary securities fully paid	159,233	133,246	43,191	42,392
Total issued capital	**159,233**	**133,246**	**43.191**	**42,392**
Movement in issued securities during the period				
Balance at the beginning of the period	148,962	66,623	42,934	39,297
Securities issued	10,271	66,623	257	3,329
Transaction costs on issue of securities, net of tax	-	-	-	(234)
Ordinary securities fully paid	**159,233**	**133,246**	**43.191**	**42,392**

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.

No dividends were declared or paid by the Group for the half year ended 31 December 2020.

11. Earnings Per Share

	31 Dec 20 $'000	31 Dec 19 $'000
Statutory loss after income tax attributable to the owners of the Group	**(1,865)**	**(13,615)**
	#'000	**#'000**
Weighted average number of ordinary shares used in calculating basic loss per share	**153,817,856**	**98,769**
	Cents	**Cents**
Statutory basic and diluted loss per share	**(1.2)**	**(13.8)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Going Concern

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 this basis of the view formed by the administrators, the accounts have now been prepared on the basis the company is no longer a going concern.

13. Subsequent Events

As of 9 November 2020, all employment contracts were terminated, except for those employees that the administrator had deemed necessary to continue the operation of the business, while the administrators sought prospective buyers for the assets of the Group.

In January 2021, Michelle Aquilina had resigned from her position as CEO for Totally Smiles.

In the first quarter of 2021, Genesis Capital had completed the acquisition of assets by Totally Smiles.

As at 30 June 2021, Smiles Inclusive (SIL) was liquidated, therefore had nil assets or liabilities and creditors were paid in line with the Creditors Report provided by Deloitte Restructuring Services.

On 23 July 2021 a Deed of Company Arrangement (DOCA) was executed by Exit Solutions Ltd to take ownership of Smiles Inclusive (SIL). This acquisition did not include the wholly owned subsidiary Totally Smiles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Share Based Payments

No Share Based Payments were executed during the period and were deemed without value as at 9 November 2020 when administrators were appointed.

15. Related Party Transactions

Other than remuneration for their positions as directors and executives of the Company, key management personnel or entities related to them entered into a few transactions with the Company.

Information on these transactions is set out below.

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

The Group paid professional fees for services provided by entities associated with David Usasz. Fees were based on an agreement approved by the Board for services in relation to director services and totalled $19,500 during the period.

In addition, the Group has leased practice premises from Peter Fuller and the rent paid for the period ending 31 October 2020 totalled $9,300.

	30 Dec 20	31 Dec 19
	$'000	$'000
Property leasing expenses	9	14
Professional Fees	19	40
	28	54

16. Contingent liabilities

The Group had no contingent liabilities at the end of 31 December 2020.

17. Subsequent Event

As of 9 November 2020, all employment contracts were terminated, except for those employees that the administrator had deemed necessary to continue the operation of the business, while the administrators sought prospective buyers for the assets of the Group.

In January 2021, Michelle Aquilina had resigned from her position as CEO for Totally Smiles.

In the first quarter of 2021, Genesis Capital had completed the acquisition of assets by Totally Smiles.

As at 30 June 2021, Smiles Inclusive (SIL) was liquidated, therefore had nil assets or liabilities and creditors were paid in line with the Creditors Report provided by Deloitte Restructuring Services.

On 23 July 2021 a Deed of Company Arrangement (DOCA) was executed by Exit Solutions Ltd to take ownership of Smiles Inclusive (SIL). This acquisition did not include the wholly owned subsidiary Totally Smiles.

18. 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 31 December 2020.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the accounting system and the administrators final report covering the administration period.

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.

A significant event occurred during the reporting period which 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 31 December 2020 and for the year then ended.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 25 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Marshini Thulkanam
Director

2 March 2022

FSA
TAX AUDIT ADVISORY

INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders of Smiles Inclusive Limited

Report on the Interim Financial Report

Disclaimer of Conclusion

We were engaged to review the accompanying Interim Financial Report of Smiles Inclusive Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express a conclusion on the accompanying Interim Financial Report of the Group.

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion we have not been able to obtain sufficient appropriate audit evidence to provide a basis of review conclusion on the Interim Financial Report.

Basis for Disclaimer of Conclusion

As disclosed in note 18 to the Interim Financial Report, 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 Group's business, financial records, property and affairs.

Due to these circumstances, the directors were unable to obtain all the necessary books and records pertaining to the Group for the period up to and including administration. New directors were appointed 29th July 2021.

Accordingly, the Interim Financial Report for the half-year ended 31 December 2020 has been prepared by the directors without the benefit of access to all financial books and records for the Group.

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 Interim Financial Report.

Responsibility of the Directors for the Interim Financial Report

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

Auditor's Responsibilities for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As a result of the matters described in the Basis for Disclaimer of Conclusion section of our report, we are not able to obtain sufficient appropriate evidence to provide a basis of review conclusion on the Interim Financial Report.

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

FSA Audit Pty Ltd

Mark du Plessis
Partner
Registered Company Auditor - 471680
Date: 2nd March 2022
Brisbane