

Smiles Inclusive Limited
Interim Financial Report

for the period from 15 August 2017 to 31 December 2017

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Smiles Inclusive Limited and its controlled entity

Directors Report

The Directors of Smiles Inclusive Limited ('Smiles' or 'the Company') and its subsidiary ('the Group') submit their report for the period 15 August 2017 to 31 December 2017 and the Review report thereon.

DIRECTORS

The names of the Directors of the Company in office during the half-year period and until the date of this report were:

David Herlihy	Chairman and Independent Non-Executive Director	Appointed 15 August 2017
David Usasz	Deputy Chairman and Independent Non-Executive	Appointed 15 August 2017
Mike Timoney	Chief Executive Officer and Managing Director	Appointed 15 August 2017
Tracy Penn	Deputy Chief Executive Officer and Executive Director	Appointed 9 October 2017

RESULTS

The loss of the Group for the period after providing for income tax amounted to \$642,713.

REVIEW OF OPERATIONS

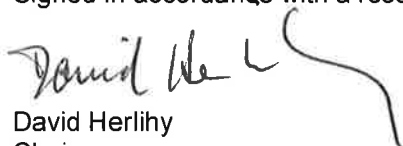
The Company was incorporated on 15 August 2017 with the intention of acquiring dental practices across Australia through its wholly owned subsidiary, Totally Smiles Pty Ltd (incorporated on 24 August 2017), and list on the Australian Stock Exchange ("ASX"). During the period from incorporation to 31 December, the company has incurred costs in relation to the identification of appropriate dental practices, negotiation with, and due diligence of, selected practices and preliminary steps in relation to a future listing on the ASX.

SUBSEQUENT EVENTS

Subsequent to the end of the period, the Group has been successful in entering into agreements to acquire 52 dental practices across Australia, subject to the completion of a listing on the ASX. In addition, the Group has raised an additional \$585,000 through the issuance of convertible notes subsequent to period end.

No other matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Signed in accordance with a resolution of the Directors.



David Herlihy
Chairman

Gold Coast
9 March 2018

Smiles Inclusive Limited and its controlled entity
Consolidated Interim Statement of Profit or Loss and Other
Comprehensive Income
for the period 15 August 2017 to 31 December 2017

	Note	15 August 2017 to 31 December 2017 \$
Continuing operations		
Professional fees		240,314
Consulting fees		88,969
Employee benefits expense		180,502
Marketing and advertising		62,752
Travel & accommodation		39,470
Depreciation		228
Other expenses from ordinary activities		30,390
Operating loss before financing income		(642,626)
Finance income / (expense)		(87)
Loss before income tax		(642,713)
Income tax expense		-
Loss for the period		(642,713)
Other comprehensive income for the period		-
Total other comprehensive income		-
Total comprehensive loss for the period		(642,713)
Loss per share		
Basic and diluted loss per share attributable to ordinary equity holders (cents per share)	4	(0.54)

The above statement should be read in conjunction with the accompanying notes.

Smiles Inclusive Limited and its controlled entity
Consolidated Interim Statement of Financial Position
as at 31 December 2017

	Note	31 December 2017 \$
Current assets		
Cash and cash equivalents		2,393,796
Prepayments and other assets	6	<u>288,455</u>
Total current assets		<u>2,682,251</u>
Non-current assets		
Property, plant and equipment		<u>3,611</u>
Total non-current assets		<u>3,611</u>
Total assets		<u>2,685,862</u>
Current liabilities		
Trade and other payables		119,067
Convertible notes	7	<u>4,732,000</u>
Total current liabilities		<u>4,851,067</u>
Total liabilities		<u>4,851,067</u>
Net assets / (liabilities)		<u>(2,165,205)</u>
Equity		
Issued capital	8	116
Accumulated losses		(642,713)
Contribution reserve		<u>(1,522,608)</u>
Total equity / (deficiency)		<u>(2,165,205)</u>

The above statement should be read in conjunction with the accompanying notes.

Smiles Inclusive Limited and its controlled entity
Consolidated Interim Statement of Changes in Equity
for the period 15 August 2017 to 31 December 2017

	Note	Issued Capital \$	Accumulated Losses \$	Contribution Reserve \$	Total \$
Balance as at 15 August 2017		-	-	-	-
Total comprehensive income for the period:					
Loss for the period		-	(642,713)	-	(642,713)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	(642,713)	-	(642,713)
Transactions with owners, recorded directly in equity					
Issue of shares	8	116	-	-	116
Contributions to owners	5	-	-	(1,522,608)	(1,522,608)
Total contributions by/(distributions to) owners		116	-	(1,522,608)	(1,522,492)
Balance at 31 December 2017		116	(642,713)	(1,522,608)	(2,165,205)

The above statement should be read in conjunction with the accompanying notes.

Smiles Inclusive Limited and its controlled entity
Consolidated Interim Statement of Cash Flows
for the period 15 August 2017 to 31 December 2017

	Note	15 August 2017 to 31 December 2017 \$
Cash flows from operating activities		
Cash payments in the course of operations		(811,781)
Interest received		136
Interest paid		(223)
Net cash used in operating activities		(811,868)
Cash flows from investing activities		
Payments for property, plant and equipment		(3,839)
Funds advanced to related party	5	(141,497)
Net cash used in investing activities		(145,336)
Cash flows from financing activities		
Convertible note proceeds	7	3,351,000
Net cash from financing activities		3,351,000
Net increase in cash and cash equivalents		2,393,796
Cash and cash equivalents at 15 August		-
Cash and cash equivalents at 31 December		2,393,796

The above statement should be read in conjunction with the accompanying notes.

Smiles Inclusive Limited and its controlled entity

Notes to the Consolidated Interim Financial Statements

for the period 15 August 2017 to 31 December 2017

1. REPORTING ENTITY

Smiles Inclusive Limited ('the Company') is a company domiciled in Australia and was incorporated on 15 August 2017. The consolidated interim financial statements of the Company as at and for the period 15 August 2017 to 31 December 2017 comprise the Company and its controlled entity (together referred to as 'the Group').

The Group is a for-profit entity and is primarily involved in acquisition of dental practices.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of Australian Accounting Standard AASB 134 '*Interim Financial Reporting*'.

The consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. As the Company was incorporated during the period, the Group has not yet produced an annual financial report. Where appropriate for the understanding of the Group financial position and performance, additional note disclosures, similar to those found in an annual financial report, have been included. As the Company was incorporated on 15 August 2017, comparative information is not provided.

These consolidated interim financial statements were authorised for issue by the Directors on 9 March 2018.

(b) Basis of measurement and currency

The consolidated interim financial statements have been prepared on the historical cost basis and are presented in Australian Dollars, which is the Company's functional currency.

(c) Estimates

The preparation of the consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated interim financial statements are described in the following notes:

- Note 1(d) – Going concern
- Note 7 – Convertible notes

(d) Going concern

The consolidated interim financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded a loss of \$642,713 for the period ended 31 December 2017 and has accumulated losses of \$642,713 as at 31 December 2017. The Group has cash and cash equivalents of \$2,393,796 at 31 December 2017 and used \$811,868 of cash in operations for the period ended 31 December 2017. At 31 December 2017 current liabilities exceeded current assets by \$2,165,205. Subsequent to 31 December 2017, the Group raised an additional \$585,000 through the issuance of convertible notes.

The Group is in the process of issuing a prospectus to undertake a \$35m capital raising, listing on the Australian Stock Exchange ('IPO') and acquisition of dental practices in April 2018, the outcome of which is inherently uncertain.

In the event that the capital raising, IPO and acquisition of dental practices is not successful, the directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections indicate that existing cash reserves are sufficient to meet future commitments for a period of 12 months from the date of this report. In addition, these cash flow projections also assume that the convertible notes on issue convert to ordinary shares in accordance with the agreements as outlined in Note 7.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Employee benefits

Short-term obligations

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The liabilities are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and 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.

(c) Property, plant and equipment

Items of property, plant and equipment are measured at cost less depreciation, amortisation and accumulated impairment losses.

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 costs of assets, net of their residual values, over their estimated useful lives, as follows:

- Computer equipment – 3 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.

(d) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(e) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

Financial assets

Collectability of financial assets, such as other receivables, is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit and loss within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit and loss.

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) 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.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Standards issued but not yet effective

A number of new standards and amendments to standards are able to be adopted for annual periods beginning after 1 July 2017; however, the Group has not applied the following new or amended standards in preparing these consolidated interim financial statements.

AASB 9 – Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 – *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group does not plan to adopt this standard early and is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 – Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 – *Revenue* and AASB 111 – *Construction Contracts*.

AASB 15 will become mandatory for the Group's 30 June 2019 financial statements, with early adoption permitted.

The Group does not plan to adopt this standard early and is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

AASB 16 – Leases

AASB 16 *Leases* was issued and introduced changes to lessee accounting. It requires recognition of lease liabilities and assets other than short-term leases of leases of low-value assets on the statement of financial position. This will replace the operating/financial lease distinction and accounting requirements prescribed in AASB 117 *Leases*.

AASB 16 will become mandatory for the Group's 30 June 2020 financial statements, with early adoption permitted.

The Group does not plan to adopt this standard early and is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

As at
31 December
2017
\$

4. LOSS PER SHARE

Basic and diluted loss per share have been calculated using:

Net loss for the period attributable to equity holders of the Company	(642,713)
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Nº of shares¹

Weighted average number of ordinary shares (basic and diluted)

- Issued ordinary shares at the beginning of the period	-
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Weighted average number of shares at the end of the period	1,174,478
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The above amounts have been adjusted to reflect a share split on a 1,000 to 1 basis which occurred subsequent to period end.

5. TRANSACTIONS WITH OWNERS

During the period the Company provided funds totalling \$141,497 to Smiles Southport Pty Ltd (a director related entity) that has previously incurred costs in connection with the identification and acquisition of dental practices. These funds are not repayable and have been treated as a contribution to owners within equity.

During the period the Company also entered into convertible note redemption and subscriptions deeds and issued \$1,337,500 of convertible notes for no cash proceeds. This replaced \$1,337,500 of convertible notes that were previously on issue in Smiles Southport Pty Ltd which incurred costs in relation to the identification and acquisition of dental practices prior to the incorporation of Company.

In addition, the Company also issued \$43,500 of tranche 2 convertible notes where the proceeds had been received by Smiles Southport Pty Ltd. These funds are not repayable as they were used to fund costs in relation to the identification and acquisition of dental practices and have been treated as a contribution to owner within equity.

6. PREPAYMENTS AND OTHER ASSETS

Prepayments	288,455
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Included within prepayments are amounts totalling \$218,327 relating to costs incurred by the Group for the expected issuance of equity securities relating to the planned listing on the ASX. The Directors consider recognition as a prepayment to be appropriate as the future equity transactions are considered probable. These costs will be transferred to equity once the equity transaction is recognised, or to Profit and Loss if the equity transaction is no longer expected to be completed.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

As at
31 December
2017
\$

7. CONVERTIBLE NOTES

Convertible notes – tranche 1	1,337,500
Convertible notes – tranche 2	<u>3,394,500</u>
	<u>4,732,000</u>

The terms and conditions of convertible notes are as follows:

- All notes were issued by the Company at a face value of \$1;
- The notes comprise tranche 1 and tranche 2 which each have differing conversion ratios. Tranche 1 notes convert at 5 times face value while tranche 2 notes convert at 1.2 times face value;
- The notes are unsecured and interest free;
- The notes mature and convert to ordinary shares on the earlier of the business day immediately prior to the listing of the Company's shares on the Australian Stock Exchange or disposal of the shares, assets or business of the Group, or 30 June 2018;
- In the event the IPO does not proceed the notes will convert to ordinary shares in accordance with the agreements;
- In limited circumstances, including an insolvency event, the notes become due and payable;

In consideration of the above contractual obligations, the instruments have been classified as financial liabilities as at 31 December 2017.

8. ISSUED CAPITAL

Issued and paid up capital

11,606 ordinary shares fully paid	<u>116</u>
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**No. of
shares**

Ordinary shares

Balance at incorporation	100	1
Issue of shares	11,506	115
Balance at the end of the year	<u>11,606</u>	<u>116</u>

9. SEGMENT REPORTING

The Group currently operates in Australia and has incurred administrative expenses in relation to the future acquisition of dental practices. No further segment information is relevant for the Group until it has acquired dental practices and has revenue generating activities.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

10. RELATED PARTIES

Key management personnel and Director transactions

The directors of the Company during the period were:

David Herlihy	Non-Executive Director & Chairman
David Usasz	Non-Executive Director
Mike Timoney	Executive Director & CEO
Tracy Penn	Executive Director & Deputy CEO

The specified executives of the Company during the period were:

Paul Innes	Chief Financial Officer
Neil Simpson	Chief Operating Officer
Paul Johansen	Chief Information Officer

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

These entities transacted with the Group during the half-year as follows:

During the period the Company provided funds totalling \$141,497 to Smiles Southport Pty Ltd (a director related entity) that has previously incurred costs in connection with the identification and acquisition of dental practices. These funds are not repayable and have been treated as a contribution to owner within equity.

During the period the Company also entered into convertible note redemption and subscriptions deeds and issued \$1,337,500 of convertible notes for no cash proceeds. This replaced \$1,337,500 of convertible notes that were previously on issue in Smiles Southport Pty Ltd (a director related entity) which incurred costs in relation to the identification and acquisition of dental practices prior to the incorporation of Smiles Inclusive Limited.

In addition, the Company also issued \$43,500 of tranche 2 convertible notes where the proceeds had been received by Smiles Southport Pty Ltd. These funds are not repayable and have been treated as a contribution to owner within equity.

11. FINANCIAL INSTRUMENTS

Financial risk management

The Group has exposure to credit and liquidity risks from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this interim financial report.

The Directors have overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are in place to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to take any actions to mitigate risks and to monitor risks and adherence to limits.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

11. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management (Cont.)

The Group has the following financial instruments:

	As at 31 December 2017 \$
Financial assets:	
Cash and cash equivalents	2,393,796
	<u>2,393,796</u>
Financial liabilities:	
Trade and other payables	119,067
Borrowings	4,732,000
	<u>4,851,067</u>

(a) 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 its contractual obligations.

Other credit risk arises from cash and cash equivalents.

(b) 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 approach to managing liquidity is to ensure, where possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity management rests with the directors and senior management. The Group ensures that, where possible, it has access to sufficient cash and cash equivalents to meet expected net cash outflows.

As outlined in note 7, the Group's convertible notes are not able to be redeemed and will automatically convert to ordinary shares on the occurrence of specific events.

(c) Capital management

The director's ensure that the Group has sufficient capital as required for working capital purposes.

The Group is not subject to externally imposed capital requirements.

Smiles Inclusive Limited and its controlled entity
Notes to the Consolidated Interim Financial Statements
for the period 15 August 2017 to 31 December 2017

12. SUBSIDIARIES

On 24 August 2017, Totally Smiles Pty Ltd was incorporated as a wholly owned subsidiary of Smiles Inclusive Limited.

13. SUBSEQUENT EVENTS

Subsequent to the end of the half-year, the Company has been successful in entering into agreements to acquire 52 dental practices across Australia, subject to the completion of a listing on the Australian Stock Exchange. In addition, the Group has raised an additional \$585,000 through the issuance of convertible notes subsequent to period end.

No other matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

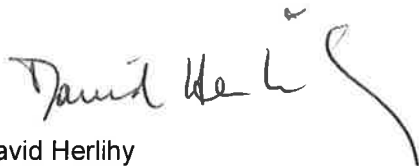
Smiles Inclusive Limited and its controlled entity Directors' Declaration

In accordance with a resolution of the Directors of Smiles Inclusive Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes, set out on pages 4 to 16:
 - (i) present fairly the financial position of the Group as at 31 December 2017 and of its performance for the period 15 August 2017 to 31 December 2017 in accordance with the accounting policies described in Notes 1 to 3; and
 - (ii) comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting'; and
- (b) there are reasonable grounds to believe that the Company and Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'David Herlihy', with a long, sweeping flourish extending to the right.

David Herlihy
Chairman

Gold Coast
9 March 2018

Independent Auditor's Review Report

To the directors of Smiles Inclusive Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Smiles Inclusive Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Smiles Inclusive Limited does not:

- present fairly in all material respects, the **Group's** financial position as at 31 December 2017 and of its performance for the **Interim Period** ended on that date in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting* to the extent described in Note 2 to the Interim Financial Report .

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2017
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the **Interim Period** ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Smiles Inclusive Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the period 15 August 2017 to 31 December 2017.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Notes 2 and 3 to the Interim Financial Report, which describe the basis of preparation.

The Interim Financial Report was prepared for the Directors of Smiles Inclusive Limited for the purpose of the Directors' due diligence in relation to a potential Initial Public Offering. As a result, the Interim Financial Report may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Our report is intended solely for the Directors of Smiles Inclusive Limited and should not be used by parties other than the Directors of Smiles Inclusive Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Interim Financial Report to which it relates, to any person other than the Directors of Smiles Inclusive Limited or for any other purpose than that for which it was prepared.

Responsibilities of Management for the Interim Financial Report

The Management of the Company is responsible for:

- the preparation of the Interim Financial Report that presents fairly in all material respects in accordance with *Australian Accounting Standards* to the extent described in Notes 2 to 3 appropriate to meet the needs of the Directors for the purpose of their due diligence in relation to the *Initial Public Offering*
- for such internal control as the Management determines is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report does not present fairly, in all material respects, the Group's financial position as at 31 December 2017 and its performance for the interim period ended on that date in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting* to the extent described in Note 2 to the Interim Financial Report. As auditor of Smiles Inclusive Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



We are independent of the Group in accordance with the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants*.

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow', with a stylized flourish at the end.

KPMG

Adam Twemlow

Partner

Brisbane

9 March 2018