Smiles Inclusive Limited

ACN 621 105 824

Financial

Report

30 June 2021

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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

Current Directors
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
Marshini Thulkanam

Auditor
FSA Audit Pty Ltd

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 2021. 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:

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 as at 30 June 2021

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)
A Ritter	Company Secretary (Appointed 15 May 2020, 03 February 2022)

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

D Usasz – Bachelor of Commerce, Fellow Chartered Accountant Chairman & Independent Non-Executive Director		
Experience and expertise	Independent Non-Executive Director and Chairman. 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 Chair of Audit and Risk Committee 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 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 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 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 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 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.

Company Secretary

Mr Andrew Ritter held the position of Company Secretary for the entire reporting period. 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. As a subsequent event, he resigned from the position from 3 February 2022.

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	10	10	2	2	1	1
P Evans	3	3	2	2	1	1
P Fuller	7	7				
M Aquilina	10	10				

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 2021 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 event occurred during the reporting period. The previous board were advised by National Australia Bank 'NAB' to appoint Deloitte Restructuring Services as Voluntary Administrators. On 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed.

In the first calendar quarter of 2021, Genesis Capital had completed the acquisition of a sizable portion of practices from Totally Smiles. Genesis Capital was the largest single buyer of the Group's practices with the majority being purchased by the existing owner. Several practices that did not receive interest from any buyer or were deemed unprofitable, were closed.

On 30 June 2021 at the second meeting with creditors, it was accepted that Smiles Inclusive (SIL) enter a Deed of Company Arrangement (DOCA) with Exit Solutions Ltd. This did not include the wholly owned subsidiary Totally Smiles, in which was decided by creditors that it shall be placed into liquidation.

Objectives

On 23 June 2021, a proposal was received by the administrators from Exit Solutions Ltd to enter into a Deed of Company Arrangement 'DOCA' with the parent company Smiles Inclusive (SIL). This did not include the wholly owned subsidiary Totally Smiles, in which remained in control of Deloitte Restructuring Services to be placed into liquidation.

Operating and Financial Review

Overview of the Business

On 23 June 2021, a proposal was received by the administrators from Exit Solutions Ltd to enter into a Deed of Company Arrangement 'DOCA' with the parent company Smiles Inclusive (SIL). This did not include the wholly owned subsidiary Totally Smiles, in which remained in control of Deloitte Restructuring Services to be placed into liquidation.

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

- In September 2020 the Company settled a claim against former employees and suppliers on a confidential basis.
- 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.
- 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.
- 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.
- 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.

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 could not pay its debts.

On 2 July 2021 a disclosure was released on the ASX that at the second meeting with creditors, it was accepted that Smiles Inclusive (SIL) enter a Deed of Company Arrangement (DOCA) with Exit Solutions Ltd. This did not include the wholly owned subsidiary Totally Smiles, in which was decided by creditors that it shall be placed into liquidation.

Dividends

No dividends were declared by the group for the period ended 30 June 2021 or up to the date of signing.

Events Subsequent to Reporting Date

Directors and senior management

In July 2021 David Usasz, Genna Levitch and Michelle Aquilina resigned as directors. Dr Iain Gray, Marsha Thulkanam and Mark van Wyk were appointed directors. In February 2022, Andrew Ritter resigned as Company Secretary for the group.

Other matters

On 30 June 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.

Environmental regulation

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

Proceedings on Behalf of the Company

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 15.

Remuneration Report (Unaudited)

This Remuneration Report for the year ended 30 June 2021 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 not 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:

Previous Executives as at 30 June 2020

Smiles Inclusive (SIL) was controlled by Tim Heenan and Luci Palaghia of Deloitte Restructuring Services. After the resignation of Michelle Aquilina there was no longer any executive from the previous management.

Remuneration Report (Unaudited)

(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 2021:

	Short term employee benefits		Long term benefits		Total
	Salary and fees	Superannuation	Long Service Leave	Other[1]	
	$	$	$	$	$
Non-executive Directors					
D Usasz	19,500	-	-	-	19,500
P Evans	12,000	-	-	-	12,000

Remuneration Report (continued)

For comparison purposes, the total remuneration of non-executive directors and senior executives for the year ended 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	19,500	-	-	-	19,500
P Evans	12,000	-	-	-	12,000
P Fuller	-				-

(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 were terminated at 9 November 2020 with wholly owned subsidiary Totally Smiles. Deloitte Restructuring Services had decided to keep the below executives employed, however Mark O'Brien resigned in December 2020, Michelle Aquilina in early 2021, and Samuel Douglas joined Genesis Capital as part of the sale process.

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
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)

(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

2021	Balance at start of year	Net Change	Balance at end of year
Non-executive Directors			
D Usasz	3,500,000	-	3,500,000
P Evans	2,892,000	-	2,892,000
P Fuller	5,310,828	-	5,310,828

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 21	30 Jun 20
	$	$
Property leasing expenses[1]	9,300	23,089
Dental Commission[2]	85,000	250,000
Consulting expenses	-	40,000

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

[2] Dental Commission paid to Peter Fuller.

Remuneration Report (continued)

This concludes the remuneration report, which has not been audited.

Conclusion

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

M Thulkanam

Marshini Thulkanam
Director
Gold Coast

2 March 2022

Iain Gray
Director
Gold Coast

2 March 2022

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 2021 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 2021 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 year ended 30 June 2021

	Note	30 Jun 21 $'000	30 Jun 20 $'000
Practice revenue	1	**13,046**	**27,283**
JobKeeper Wage Subsidy	1	3,493	3,018
Other income	1	9,614	122
Direct costs		(1,221)	(6,214)
Consumables supplies expenses		(588)	(2,522)
Employee expenses		(6,131)	(13,403)
Marketing expenses		(76)	(276)
Occupancy expenses		(2,214)	(651)
Administration and other expenses		(3,961)	(11,802)
Depreciation and amortisation expense		43	(4,174)
Liquidator Fees		(2,200)	-
Liquidation Adjustment		46,402	-
Loss before finance costs, income tax, impairment and changes in fair value		**56,207**	**(8,619)**
Impairment of goodwill and property, plant & equipment	8, 9	(2,218)	(51,262)
Change in fair value of joint venture partner contribution	6		1,265
Net impairment and changes in fair value		(2,218)	(49,997)
Loss before finance costs and income tax		**53,989**	**(58,616)**
Net Finance Cost		(67)	(2,298)
Loss before income tax		**53,922**	**(60,914)**
Income tax benefit / expense[1]	2	-	-
Loss for the year		**53,922**	**(60,914)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**53,922**	**(60,914)**

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

Basic earnings per share (cents per share)	20	35.8	(60.0)
Diluted earnings per share (cents per share)	20	35.8	(60.0)

Consolidated Balance Sheet
As at 30 June 2021

	Note	30 Jun 21 $'000	30 Jun 20 $'000
Assets			
Cash and cash equivalents	21	-	260
Receivables and other assets	3	-	2,175
Inventories	7	-	228
Deferred tax assets		-	-
Property, plant & equipment	8	-	4,007
Right-of-use assets	9	-	2,218
Intangible assets		-	-
Total Assets		**-**	**8,888**
Liabilities			
Interest bearing liabilities	5	-	19,651
Payables	4	-	8,047
Lease Liabilities	9	-	21,322
Deferred revenue	4	-	439
Provisions	22	-	2,084
Joint Venture Partner Contribution	6	-	11,457
Total Liabilities		**-**	**63,000**
Net Assets		**-**	**(54,112)**
Contributed equity	10	43,174	42,934
Reserves	11	-	50
Retained earnings / (accumulated losses)	23	(43,174)	(97,096)
Total Equity		**-**	**(54,112)**

Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings/ (accumulated losses) $'000	Total $'000
Balance at 1 July 2019		**39,297**	**-**	**(35,957)**	**3,340**
Prior Year Adjustment				(225)	
Total comprehensive loss for the year		-	-	(60,914)	(61,139)
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**	**(97,096)**	**(54,112)**
Balance at 1 July 2020		**42,934**	**-**	**(97,096)**	**(54,112)**
Total comprehensive loss for the year		-	-	53,922	53,922
Transactions with owners of the Company, recognised directly in equity:					
Issue of securities	10	240	-	-	240
Options granted - employees		-	(50)	-	(50)
Share issue costs, net of tax	10	-	-	-	-
Balance at 30 June 2021		**43,174**	**-**	**(43,174)**	**-**

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	30 Jun 21 $'000	30 Jun 20 $'000
Cash flow from operating activities			
Receipts from patients		19,867	37,685
Other Income		3,777	2,436
Payments to suppliers and employees		(29,690)	(44,344)
Interest received		-	-
Finance costs including interest and joint venture partner profits paid		(1,209)	(1,252)
Payments made for liquidators remuneration		(2,200)	
Net cash flows from/(used in) operating activities		**(9,455)**	**(5,475)**
Cash flows from investing activities			
Payments for property, plant and equipment		(153)	(225)
Proceeds from disposal of property, plant and equipment		19	-
Payments for practices, net of cash received		-	-
Proceeds from disposal of practices		9,431	2,000
Payment for rental bond term deposits		-	-
Net cash flows (used in)/ from investing activities		**9,297**	**1,775**
Cash flow from financing activities			
Proceeds from issue of securities		229	3,871
Costs associated with issue of securities		-	(234)
Net proceeds from borrowings		(331)	(300)
Proceeds from sale & leaseback of property, plant and equipment		-	-
Lease payments		-	(972)
Payment for debt issue costs		-	-
Net cash flows (used in)/ from financing activities		**(102)**	**2,365**
		-	
Net increase/(decrease) in cash and cash equivalents		(260)	(1,335)
Cash and cash equivalents at the beginning of the year		260	1,595
Cash and cash equivalents at the end of the year		**(0)**	**260**

Notes to the Financial Statements

These are the consolidated financial statements of the Smiles Inclusive Group, comprising Smiles Inclusive Limited and its subsidiaries.

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.

The financial report was authorised for issue by the Directors on 2 March 2022.

On 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators of the Group. These financial statements have been prepared on a liquidation basis.

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 31 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.

Notes to 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:

Notes to the Financial Statements

Section A1. Profit and loss information

1. Revenue and Other Income

	30 Jun 21 $'000	30 Jun 20 $'000
Revenue		
Dental service fees	12,881	26,671
Laboratory fees	165	612
Total practice revenue	**13,046**	**27,283**
Other Income		
Government grant	3,493	3.018
Other income	9,614	122
Total Other income	**13,107**	**3.140**

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. Income tax benefit

(a) Income tax expense

	30 Jun 21	30 Jun 20
	$'000	$'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 21	30 Jun 20
	$'000	$'000
Accounting loss before income tax	53,855	(60,914)
Income tax at the Australian rate of 27.5%	14,810	(16,751)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-assessable income/expense	-	-
Non-deductible impairment of goodwill	-	-
Non-deductible revaluation of JVP contribution liability	-	-
Non-deductible JVP contribution liability forgiveness	-	-
Non-deductible expenses	-	-
Derecognition of deferred tax assets	-	-
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.

3. Receivables and other assets

	30 Jun 21 $'000	30 Jun 20 $'000
Trade receivables	-	540
Other assets	-	2,082
Prepayments	-	93
Provision for doubtful debts	-	(540)
Total Receivables and other assets	**-**	**2,175**
Expected to be recovered		
No more than twelve months	-	2,175
More than twelve months	-	-
Total receivables and other assets	**-**	**2,175**

(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.

Please refer to Note 14 for further details.

3. 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 21 $'000	30 Jun 20 $'000
Expected to be settled		
No more than twelve months	-	938
More than twelve months	-	
	-	**938**

(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.

4. Payables and other liabilities

	30 Jun 21 $'000	30 Jun 20 $'000
Trade accounts payable	-	3,558
Interest accrued	-	463
Other payables and accruals	-	4,026
Total payables	**-**	**8,047**
Deferred revenue	-	439
Total deferred revenue	**-**	**439**
Expected to be settled		
No more than twelve months	-	8,487
More than twelve months	-	-
Total payables and deferred revenue	**-**	**8,486**

(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.

5. Interest bearing loans and borrowings

	30 Jun 21	30 Jun 20
	$'000	$'000
Secured		
Bank Loans	-	18,207
Borrowing Costs (Deferred)	-	(141)
Lease liability	-	-
Other loans	-	1.585
	-	**19.651**
Expected to be settled		
No more than twelve months	-	19.651
More than twelve months	-	-
	-	**19.651**

(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

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there are no longer any finance facilities in place.

5. Interest bearing loans and borrowings (continued)

Bank loans / *Equipment lease facility / Other loans*

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there are no longer any finance facilities in place.

Please refer to Note 14 for further details.

6. Joint venture partner contribution

(a) Accounting for Joint Venture Partner Contribution

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there are no longer any finance facilities in place.

Please refer to Note 14 for further details.

	30 Jun 21 $'000	30 Jun 20 $'000
Expected to be paid		
No more than twelve months	-	11,457
More than twelve months	-	-
Total joint venture partner contributions	**-**	**11,457**

6. Joint venture partner contribution (continued)

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

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

Section A3. Non-financial assets and liabilities

7. Inventory

	30 Jun 21 $'000	30 Jun 20 $'000
Inventories at cost	-	228
Total inventories	**-**	**228**
Expected to be settled		
No more than twelve months	-	228
More than twelve months	-	-
Total inventories	**-**	**228**

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there is no longer any inventory.

Please refer to Note 14 for further details.

8. Property, plant and equipment

	30 Jun 21 $'000	30 Jun 20 $'000
Leasehold improvements at cost	-	2,102
Less accumulated depreciation and impairment	-	(1,100)
	-	1,002
Plant and equipment at cost	-	5,799
Less accumulated depreciation and impairment	-	(2,794)
	-	3,005
Leased asset at cost	-	-
Less accumulated depreciation and impairment	-	-
	-	-
Total property, plant and equipment	**-**	**4,007**

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there are no longer any Property, plant and equipment.

Please refer to Note 14 for further details.

8. 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.

9. 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.

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there are no longer any right-of-use assets and lease liabilities.

Please refer to Note 14 for further details.

(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 21 $'000	01 Jul 20 $'000
Right-of-use assets		
Leased properties	-	2,218
Leased equipment	-	-
	-	**2,218**
Lease liabilities		
Current	-	21,322
	-	**21,322**

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.

(b) ***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.

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.

As a result of the Deed of Company Arrangement ‘DOCA’ being agreed as at 30 June 2021, there are no longer any lease liabilities.

Section A4. Equity

10. Contributed equity

	30 Jun 21 No. '000	30 Jun 20 No. '000	30 Jun 21 $'000	30 Jun 20 $'000
Issued capital				
Ordinary securities fully paid	159,233	148,962	43,191	43,168
Total issued capital	**159,233**	**148,962**	**43,191**	**43,168**
Movement in issued securities during the period				
Balance at the beginning of the period	148,962	66,626	42,934	39,297
Securities issued	10,271	82,338	257	3,871
Transaction costs on issue of securities, net of tax	-	-	-	(234)
Ordinary securities fully paid	**159,233**	**66,623**	**43,191**	**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.

11. Reserves

	30 Jun 21 $'000	30 Jun 20 $'000
Share-based payments	-	50
Total reserves	**-**	**50**

Share-based payments reserve

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

12. Dividends and distributions

No dividends were declared or paid by the Group for the year ended 30 June 2021.

Section A5. Segment information

13. 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 A6. Arrangement of Deed of Company Arrangement 'DOCA' / Liquidation Information

14. DOCA & Liquidation Information

<u>Deed of Company Agreement (DOCA) Agreement</u>

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.

<u>AASB 16</u>

The accounting standard AASB 16 no longer applied as at 30 June 2021 as a result of the liquidation of Totally Smiles and the DOCA being executed with Exit Solutions Ltd for Smiles Inclusive (SIL).

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:

15. 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.

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, this no longer applies.

Please refer to Note 14 for further details.

16. Financial risk management

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021 and there are nil assets or liabilities, this no longer applies.

Please refer to Note 14 for further details.

17. Capital management

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021 and there are nil assets or liabilities, this no longer applies.

Notes to the Financial Statements

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:

18. Disposal of businesses

The Group sold its Miranda and Yarram practices in July 2020 and August 2020 respectively. The Group also entered into a JVP buyout for Clayfield and Glen Waverley practices.

19. 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 (to be deregistered)	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:

20. Earnings per security

(a) Calculating earnings per share

	30 Jun 21 $'000	30 Jun 20 $'000
Profit/(Loss) after income tax attributable to the owners of the Group	**53,922**	**(60,914)**
	#'000	**#'000**
Weighted average number of ordinary shares used in calculating basic earnings per share	**156,502,906**	**116,989**
	Cents	**Cents**
Basic earnings per share	**35.8**	**(52.1)**
Diluted earnings per share	**35.8**	**(51.5)**

(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.

21. Cash and cash equivalents

	30 Jun 21	30 Jun 20
	$'000	$'000
Cash at bank	-	260
Total cash and cash equivalents	**-**	**260**

(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.

22. Provisions

	30 Jun 21	30 Jun 20
	$'000	$'000
Employee provisions	-	1,179
Provision for make-good	-	905
Total provisions	**-**	**2,084**
Expected to be settled		
No more than twelve months	-	2,084
More than twelve months	-	-
Total provisions	**-**	**2,084**

(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.

23. Retained profits/(accumulated losses)

	30 Jun 21	30 Jun 20
	$'000	$'000
Retained earnings/(accumulated losses) at the beginning of the period	(97,096)	(35,957)
Net profit/(loss) from ordinary activities after income tax	53,922	(61,139)
Retained earnings/(accumulated losses) at the end of the period	**(43,174)**	**(97,096)**

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:

24. Related party transactions

(a) Aggregate remuneration of key management personnel

	30 Jun 21	30 Jun 20
	$	$
Short-term employment benefits	-	744,402
Long-term benefits	-	39,272
Termination benefits	-	86,307
Share based payments	-	7,677
Key management personnel compensation	**-**	**877,658**

There are no additional benefits for key management personnel other than normal salary for the 4-month period prior to the administration. No records have been provided from the administrators.

(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 21	30 Jun 20
	$	$
Revenue from rendering of services	-	-
Revenue from the sale of goods	-	-
Property leasing expenses	9,300	23,089
Dental Commission	85,000	250,000
Consulting expenses	-	40,000

Key management personnel or their related parties held shares in the Company during 2021, and as such, are entitled to participate in dividends.

25. Auditor's remuneration

FSA have been appointed as auditors to replace KPMG after 30 June 2021. Details of the amounts paid to the auditor of the Group. No payments were made for Audit of 2021 accounts during the period, a comparative of audit fees is provided below:

	30 Jun 21	30 Jun 20
	$	$
Audit and assurance services		
Audit and review of the financial reports of the Group		
Group - Audit of 2021 Accounts	-	344,131
Non-assurance services	-	-
Total auditor's remuneration	**-**	**344,131**

26. 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.

27. 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.

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

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.

28. Deed of cross guarantee

As a result of the Deed of Company Arrangement 'DOCA' being agreed as at 30 June 2021, there are no longer any finance facilities in place.

Please refer to Note 14 for further details.

29. Events occurring during and 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.

30. Going Concern

On 9 November 2020, Tim Heenan and Luci Palaghia of Deloitte Restructuring Services were appointed as Voluntary Administrators of the Group. On 30 June 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.

31. 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 2021.

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 30 June 2021 and for the year then ended.

31. Other accounting policies (continued)

(a) 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.

(b) 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.

(c) 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.

In the opinion of the Directors of the Company:

1. As set out in Note 31(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 2021 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 14 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 no 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 of which the company is a member, 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 to which the company is a party.

The directors have been given the declaration required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

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

M Thulkanam

Marshini Thulkanam
Director
Gold Coast

2 March 2022

Iain Gray
Director
Gold Coast

2 March 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Smiles Inclusive Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Smiles Inclusive Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of Smiles Inclusive Limited, is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

Opening balances

We were unable to obtain sufficient appropriate audit evidence relating to the opening balance of accumulated losses as a result of the disclaimer of opinion issued on the 30 June 2020 financial report. Consequently, we were unable to determine whether any adjustments were necessary for the 30 June 2021 numbers. Our opinion for the year ended 30 June 2021 is modified because of the possible effect of the above matter on the current year financial report.

Revenue

As disclosed in note 31 to the Financial Report, on 9th 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 revenue of the Group for the period up until administration. As a result of not having access to these records for the period 1st July 2020 to 9th November 2020 we have not obtained sufficient appropriate audit evidence around revenue for this period and have modified our opinion on this amount.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Smiles Inclusive Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – basis of preparation

As a result of the Group entering voluntary administration during the reporting period, the financial statements have been prepared on the liquidation basis.

Key Audit Matters

Except for the matter described in the Basis for qualified opinion section and the matter described in the Emphasis of matter – basis of preparation section, we have determined that there are no other key audit matters to communicate in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.]

Paragraph 41(b) explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is http://www.auasb.gov.au/Home.aspx (Ref: Para. Aus A57.1)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

FSA

TAX AUDIT ADVISORY

Report on the Remuneration Report

Opinion on the Remuneration Report

The Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2021 is unaudited.

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: 2nd March 2022
Brisbane

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PO Box 1128, Milton QLD 4064

Shareholder and Other Information
As at 10 November 2021

Distribution of Equity Security Holders

Range	Number of equity security holders
1 – 1,000	24
1,001 – 5,000	50
5,001 – 10,000	50
10,001 – 100,000	142
100,001 and over	107
Total	373

There were no holders of less than a marketable parcel of ordinary shares.

Twenty Largest Shareholders

Rank	Name	A/C designation	10 Nov 2020	%IC
1	PHI LONG INVESTMENT PTY LTD		21,461,789	13.48
2	2020 ASSET MANAGEMENT PTY LTD	2020 ASSET MANAGEMENT	11,600,000	7.28
3	MR JACOB GILMORE	<R & J SUPER FUND ACCOUNT>	7,700,323	4.84
4	ASHBOURNE PARK PTY LTD	<THE DARYL HOLMES S/FUND A/C>	6,607,965	4.15
5	HOLZRC PTY LTD	HOLZRC SMSF	6,000,000	3.77
6	MR JEREMIAS CORNELIUS OLIVIER		5,919,276	3.72
7	FULLERCORP PROPERTIES PTY LTD	KINGSBURY INVESTMENT	4,209,180	2.64
8	LODKA PTY LTD	LODKA PENSION FUND	3,350,000	2.10
9	D J RYAN NOMINEES PTY LTD		3,167,860	1.99
10	UPPER AVALON PTY LTD	<AVALON FAMILY A/C>	3,154,000	1.98
11	MORBRIDE PTY LTD	<MORBRIDE SUPER FUND A/C>	3,100,000	1.95
12	CDENTIST PTY LTD		3,000,000	1.88
13	HANCROFT PTY LTD		2,676,000	1.68
14	JUST PADDLING PTY LTD	ROSEBROOK SUPER FUND	2,000,000	1.26
14	ANTHONY MARK MCCORMACK & SCHERYL MAREE MCCORMACK	FTP SEASIDE SUPER FUND	2,000,000	1.26
14	SUSAN LOUISE ABRAHAMS		2,000,000	1.26
15	T B I C PTY LTD	<CROMMELIN FAMILY ACCOUNT>	1,612,712	1.01
16	MISS WEIYU CHEN		1,470,000	0.92
17	MR DAVID OAKLEY	<DFO INVESTMENT A/C>	1,420,000	0.89
18	MORE GROUP PTY LTD		1,249,696	0.78
19	DR KANG-TENG LIM		1,150,000	0.72
20	SYDMARLYN PTY LTD	<SYDMARLYN PTY LTD BTML A/C>	1,103,381	0.69
			% Shareholding	**60.26**

Shareholder and Other Information
As at 10 November 2021

Substantial 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

Voting Rights

Each ordinary share carries the right to one vote.

Other Information

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