Mayfield Childcare Limited

ABN: 53 604 970 390

Annual Report

31 December 2016

About Mayfield Childcare

Mayfield Childcare owns 16 long day childcare centres located in and around metropolitan Melbourne. The Company has been established with a clear vision of enhancing and delivering high quality childcare to children and families. Our team of educators brings a collaborative culture of continuous improvement and learning to the children within our care. Collectively, our Board and Management team have decades of experience delivering exceptional quality care and education in the childcare industry.

We have an inherent and common desire to 'raise the bar' in early childhood education and care. In pursuit of this desire, we seek to improve the quality of the service offering at each of our centres, with the ultimate, long-term ambition of achieving 'Exceeding' National Quality Standard ratings across all centres. As we achieve our ambition of delivering the highest quality of education and care, financial prosperity for our shareholders should follow.

Our Philosophy

At Mayfield Childcare, we believe that children begin their learning journey from the moment they are born and that the years from birth to eight years old are fundamental in establishing a child's sense of identity, value and confidence. We believe that families are the first and primary educator of children and that our role is to facilitate and foster a child's development, rather than to define it.

Our Mission and Vision

Mayfield Childcare has been established to 'raise the bar' in early childhood care. Our team has worked tirelessly to build a philosophy and a method of implementation which ensures that each of our centres provides exceptional quality care and education.

Our vision is to develop a stimulating environment and a culture of continuous learning for both children and our team of educators.

Corporate Directory

Board of Directors

Peter Lowe, *Chairman*

Michelle Clarke, *Executive Director*

Dean Clarke, *Executive Director & CEO*

Company Secretary

Andrew Draffin

Registered Office

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E: admin@mayfieldchildcare.com.au
W: www.mayfieldchildcare.com.au

Auditor

PKF Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne VIC 3008
T: +61 1300 554 474
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Bankers

Westpac Banking Corporation
150 Collins Street
Melbourne VIC 3000

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Message from the Chairman and Chief Executive Officer

Dear Shareholders,

The Board of Directors is pleased to present the inaugural Annual Report for Mayfield Childcare Limited (Mayfield) for the period ended 31 December 2016.

Mayfield has brought together 16 existing long-day care centres upon listing on the ASX on 30 November 2016. The centres are all located in Victoria, predominantly in north-west and south-east metropolitan Melbourne, and all within a two hour drive of the CBD. All centres are accredited through the Australian Children's Education and Care Quality Authority (ACECQA), with 15 centres offering a funded kindergarten programme. Mayfield has 1,360 licensed childcare places on aggregate and employ approximately 370 staff.

The Board was extremely pleased with the integration post-float, when:

- All centre settlements were completed on the first day;
- Rights of Entry and Mortgages over Leases were provided to Westpac for all centres;
- Regulatory and Licensing requirements were completed within the first two weeks;
- The migration of data and the centralisation of the QikKids operating system were delivered on start-up;
- The Ezidebit direct debiting system and the corresponding interface with QikKids was implemented across all centres;
- The payroll function for all staff was successfully outsourced to a service provider;
- Kindergarten funding applications for CY 2017 were approved; and
- A social media presence was established for all centres.

A further pleasing aspect has been the retention of staff post-float. This is an important outcome for both the children and parents.

In the last two months, the company has completed an extensive centre refurbishment programme, including extensive cleaning and repainting, the acquisition of new classroom resources, the landscaping and updating of play areas, and the installation of new play equipment, sand pits, shade sails and signage.

Our culture is 'quality in everything we do'. This includes the physical appearance of the centres, the education programmes for the children, the skill of the educators and the interaction with parents. An extensive self-assessment under the National Quality Framework has subsequently been completed for all centres and a work plan developed towards our goal of achieving an 'Exceeding' quality rating for each centre.

We believe the long-day care sector in Australia will continue to grow and maintain the support of government. This will be achieved through continued recognition of the growing trend of both parents working and acknowledgement of research that shows the benefit of early childhood education. We also believe there are considerable benefits in bringing the operation of separate centres under the common management of an experienced team. Such benefits include greater staff rostering flexibility, the standardisation of procedures, leading to the delivery of higher quality service and reduced administrative burden on centre staff, and volume discounts on certain supplies.

Mayfield will focus on three key areas of growth:

1. Organic growth, where our primary focus will be to increase occupancy and achieve cost efficiencies. In addition, we will continue to invest in our physical assets, our educators and resources. Where beneficial, we will utilise technology to drive a deeper engagement with families;

2. Acquisition growth, where we will look for opportunities consistent with our strategy of acquiring and improving under-performing centres with the goal of increasing shareholder value; and

3. Managed services growth, where we will seek opportunities, where advantageous, to provide childcare management services to other childcare business owners.

We have a had a good start to our business and have established a sound operating platform from which to drive growth and increase investments in the centres. We have performed in line with our Prospectus forecast and feel confident we can deliver in line with the 2017 Prospectus forecast and continue to make improvements that resonate well with parents.

We are keen to build on our achievements to date and look forward to updating the market as the journey unfolds.

Yours faithfully,

Peter Lowe
Chairman

Dean Clarke
Chief Executive Officer

Directors' Report

Your directors present their report on Mayfield Childcare Limited ("Mayfield Childcare", "Company") for the period ended 31 December 2016.

DIRECTORS

The directors of the Company in office at the date of this report are:

Peter Lowe, *Chairman* (Appointed Chairman and Non-Executive Director on 22 August 2016).

Michelle Clarke (Executive Director since 28 November 2016, initially appointed on 22 May 2015)

Dean Clarke, *Chief Executive Officer* (Executive Director since 28 November 2016. Initially appointed on 22 May 2015 and re-appointed on 16 March 2016, having resigned on 3 August 2015)

Donald Loccisano was a director from 22 August 2016 to his resignation of 27 October 2016.

PRINCIPAL ACTIVITIES

During the period the principal activities of the Company consisted of acquiring and operating childcare centres.

REVIEW OF OPERATIONS

The Company was incorporated on 25 March 2015. On 25 November 2016 the Company acquired 16 operating Victorian childcare centre businesses through which it commenced trading on 28 November 2016. The childcare centre businesses were acquired through a combination of funds raised from an initial public offering (IPO) of the Company's shares, and a debt facility provided by Westpac Banking Corporation. The Company's shares listed on the Australian Securities Exchange (ASX) on 30 November 2016.

The Company's underlying earnings before interest, taxation, depreciation and amortisation (EBITDA), excluding initial acquisition, listing and integration expenses (Underlying EBITDA), was a profit of $325,697, calculated as follows:

	1 Jul 2016 - 31 Dec 2016 $
Loss before income tax benefit	(1,432,698)
Add: Depreciation and amortisation	14,901
Add: Finance costs	29,949
EBITDA	(1,387,848)
Add: Acquisition costs	1,257,025
Add: Initial listing costs	248,727
Add: Integration costs	207,793
Underlying EBITDA	325,697

The Company made a loss for the period ended 31 December 2016, inclusive of income tax benefit, of $1,248,091.

The financial position of the Company, as detailed in the Statement of Financial Position in the financial statements, is in line with management's expectations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated on 25 March 2015.

On 24 November 2016 the Company issued 24,000,000 ordinary shares, raising capital of $24,000,000 (refer Note 17(b) to the financial statements) and listed on the ASX on 30 November 2016.

On 25 November 2016 the Company acquired 16 operating Victorian childcare centre businesses, the purchase consideration being a combination of cash and the Company's ordinary shares (refer Note 19 to the financial statements).

The Company commenced trading on 28 November 2016.

In the opinion of the directors there were no other significant changes in the state of affairs of the Company that occurred during the period not otherwise disclosed in this report or in the accompanying financial statements.

DIVIDENDS

No dividends were recommended, declared or paid during the reporting period and to the date of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 31 December 2016 which has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company expects to execute its business plan, in line with its strategic objectives, as outlined in the IPO Prospectus, which includes both organic growth and the acquisition of additional childcare businesses.

ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental regulation under a law of the Commonwealth, or of a State or Territory, of Australia.

DIRECTORS' DETAILS

Further information regarding the directors of Mayfield Childcare Limited, in office at the date of this report, is as follows:

Peter Lowe

B.Comm., MBA, FCPA, MAICD.

Chairman and Non-Executive Director since 22 August 2016.

Experience and expertise

Peter is an experienced director who has held Non-Executive Director (NED) roles on 15 listed and private company boards over the last 14 years. His current board roles include Non-Executive Chair of United Energy Pty Ltd (July 2003 – current), Non-Executive Chair of Multinet Pty Ltd (January 2002 – current) and Non-Executive Chair of Lochard Energy Pty Ltd (November 2015 – current).

Peter also provides a range of services to companies including coaching and mentoring, and has an advisory role in a private company that utilises his extensive knowledge of the utilities industry.

Peter's corporate career included PricewaterhouseCoopers (February 1974 – April 1982), Fosters Brewing Group Limited (April 1982 – November 1994) and Utilicorp United Inc (November 1994 – December 2001). His roles included Chief Financial Officer and Managing Director.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

250,000 ordinary, fully paid shares (held in the name of Company Lowego Pty Ltd)

Dean Clarke

B.Bus., CPA, AICD.

Executive Director and Chief Executive Officer since 28 November 2016 (appointed a Director on 22 May 2015 and re-appointed on 16 March 2016, having resigned on 3 August 2015).

Experience and expertise

Dean has been actively involved in the childcare industry for over 11 years. Since 2005, Dean has overseen the identification, design and construction of greenfield sites into compliant, licensed and profitable centres. Concurrently, Dean held senior executive positions at Tabcorp Holdings Ltd, most recently as General Manager Retail, leading a multi-site network of over 800 venues. Dean brings to Mayfield Childcare considerable expertise in business strategy formulation, sales and marketing, underperforming asset turnarounds, rapid business expansion and cultivation of high performing teams.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

2,900,000 ordinary, fully paid shares (2,800,000 held by D.W. & M.R. Clarke Pty Ltd; 100,000 held by Riversdale Road Shareholding Company Pty Ltd on trust for D.W & M.R Clarke Pty Ltd).

Michelle Clarke

Advanced Diploma of Children's Services

Executive Director since 28 November 2016 (appointed a Director on 22 May 2015).

Experience and expertise

Michelle has been intimately involved in the childcare industry for more than 11 years. Opening her first Childcare Centre in 2005, Michelle has since successfully developed, acquired, established and operated Childcare Centres in several highly competitive areas including Carrum Downs, Cranbourne, Glen Waverley and Camberwell. Michelle's extensive knowledge of regulatory compliance requirements within the childcare industry, combined with her proven ability to implement operational efficiencies, has ensured all of her Childcare Centres have experienced rapid Average Occupancy growth and reached full capacity in a relatively short period of time.

Michelle's commitment to delivering quality outcomes and best practice standards is also evident in her Childcare Centre ratings, which have all received either 'High Quality' (under the previous National Childcare and Accreditation Council) or 'Exceeding' (against the current NQS). Michelle also brings extensive knowledge of licensing, regulatory compliance requirements, industry reporting and end-user operating systems.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

2,900,000 ordinary, fully paid shares (2,800,000 held by D.W. & M.R. Clarke Pty Ltd; 100,000 held by Riversdale Road Shareholding Company Pty Ltd on trust for D.W & M.R Clarke Pty Ltd).

COMPANY SECRETARY

Andrew Draffin

B.Comm.(Acc.), CA.

Company Secretary since 25 November 2016.

Experience and expertise

Andrew is a Chartered Accountant with a strong focus on financial reporting, treasury management, management accounting and corporate advisory services. Andrew provides these services to both publicly listed and private companies, covering a broad range of industries. He has gained experience in capital markets at both primary and secondary levels over his 17 year career.

Andrew is also a Director, Company Secretary and CFO of ASX listed, London AIM listed, OTCQX listed and private companies operating in the renewable energy, exploration and mining and investment sectors. These companies have a broad range of projects and operations in various geographical locations including Australia, New Zealand, Asia, Europe, Africa and North and South America. His particular focus in performing these roles is providing oversight on financial reporting, treasury management and regulatory compliance. Andrew has experience in both pre and post initial public offerings.

DIRECTORS' MEETINGS

The number of meetings of the Board of directors of Mayfield Childcare Limited, held between 30 September 2016 (when the Company converted from a private to a public company) and 31 December 2016, were as follows:

Name of director	**Full meetings of directors**	
	A	**B**
Current directors		
Peter Lowe, *Chairman*	2	2
Dean Clarke, *Executive Director & CEO*	2	2
Michelle Clarke, *Executive Director*	2	2
Former directors		
Donald Loccisano, *Non-Executive Director*	-	2

A = Number of meetings attended

B = Number of meetings held during the time the director was in office

There were no meetings of Board committees during this period.

REMUNERATION REPORT

This audited remuneration report sets out remuneration information for Mayfield Childcare Limited's non-executive director, executive directors and other key management personnel (KMP).

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, either directly or indirectly.

A. Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The fees paid to non-executive directors, including the Chairman, reflect the demands which are made on, and the responsibilities of, the directors. Directors' remuneration consists of an annual fee plus statutory superannuation. Directors are also entitled to reimbursement of reasonable expenses incurred on Company business. Directors do not receive additional 'per meeting' fees.

The current annual fee for the Company's only non-executive director, including statutory superannuation, is:

Director	***Director's Fee***	***Comment***
Peter Lowe	$80,000 p.a.	Chairman of the Board.

The Board may adjust the remuneration of non-executive directors from time to time, up to an aggregate amount of $300,000 in accordance with the Company's constitution. Any increase in the remuneration pool will require shareholder approval.

Non-executive directors are currently ineligible to receive benefits under the Employee Share and Option Plan (ESOP) adopted by the Company.

Executive Directors (excluding the Chief Executive Officer)

The remuneration of Company directors employed in executive roles is set by the Board, taking into account the demands which are made on, and the responsibilities of, directors. Executive directors are also entitled to reimbursement of reasonable expenses incurred on Company business. Executive directors do not receive additional ‘per meeting’ fees.

The current annual fee for the Company’s only director with an executive role, other than the CEO, including statutory superannuation, is:

Director	***Director’s Fee***	***Comment***
Michelle Clarke	$40,000 p.a.	Executive role: Quality Improvement Advisor

Executive directors are eligible to receive benefits under the ESOP adopted by the Company.

Executive Director (Chief Executive Officer) and other KMP Executives

The Company enters into individual employment agreements with each of its executives, including the Chief Executive Officer (CEO). For the reporting period ended 31 December 2016, executive pay was comprised solely of cash salary plus statutory superannuation - there was no ‘at risk’ component of remuneration. Each executive’s annual remuneration is based upon market rates for that person’s role and responsibilities within the Company.

The Board approves all KMP remuneration. The CEO will review the remuneration of each KMP executive at least annually against previously agreed key performance indicators (KPI’s) and set KPI’s for the next performance period. In recommending KMP remuneration changes to the Board, the CEO’s review will take into account such factors as increases in the cost of living and market parity. Apart from the annual review process, the Board may also approve remuneration increases based upon changes in individual KMP roles which increase an individual’s level of responsibility, or recognise an increased level of skill necessary to perform a role, as recommended by the CEO.

Please refer to section *B. Remuneration details* on the following page for further executive KMP remuneration information.

Employee Share and Option Plan (ESOP)

The Company has adopted an Employee Share and Option Plan (ESOP) to encourage executives and employees to have a greater involvement in the achievement of the Company’s objectives. Under the ESOP, eligible employees (including executives, officers, employees and Executive Directors) selected by the Plan Committee (or the Board, if no Plan Committee is established), which has been delegated power by the Board to administer the ESOP, may be offered shares or granted options or rights. For the period ended 31 December 2016 and to the date of this report, no shares, options or rights have been granted, nor have any been offered.

B. Remuneration details

The KMP of the Company during the period ended 31 December 2016 consisted of the directors (see pages 8 to 9 above) and the Chief Financial Officer (CFO). Details of the remuneration of the KMP of the Company are as set out in the following table:

2016	Short-term benefits	Post-employment benefits	
Name	Cash salary & fees $	Super-annuation $	Total $
Non-Executive Directors			
Peter Lowe, Chairman (28/11-31/12/2016)	6,931	658	7,589
Executive Directors			
Dean Clarke, CEO (28/11-31/12/2016)	16,462	1,564	18,026
Michelle Clarke, Quality Improvement Advisor [1] (28/11-31/12/2016)	8,466	329	8,795
Other KMP			
Glenn Raines, *CFO* (28/11-31/12/2016)	15,179	1,303	16,482
Total	47,038	3,854	50,892

1. Michelle Clarke's 'Cash salary & fees' includes $5,000 for her executive role of Quality Improvement Advisor.

The Company did not trade, had no employees and, hence, paid no remuneration, in the year ended 30 June 2016.

All KMP remuneration for the period ended 31 December 2016 was fixed, with no performance-based, 'at risk' component.

C. Service agreements

Remuneration and other terms of employment for KMP are formalised in written agreements, the major provisions of which are as follows:

Dean Clarke, *Chief Executive Officer*

- Employment contract: Fixed term of 3 years
- Commencement date: 28 November 2016
- Remuneration: $190,000 p.a. inclusive of statutory superannuation, reviewable annually
- Executive's (and Company's) notice period: 6 months

Glenn Raines, *Chief Financial Officer*

- Employment contract: Fixed term of 3 years
- Commencement date: 28 November 2016
- Remuneration: $175,200 p.a. inclusive of statutory superannuation, reviewable annually
- Executive's (and Company's) notice period: 3 months

The Company may terminate KMP employment agreements at any time without notice or payment in lieu of notice in the event of fraud or other serious misconduct.

D. Share-based compensation

To the date of this report, KMP have no contractual right to receive share-based compensation. Any future offer of share-based compensation would be at the discretion of the Board, in accordance with the ESOP approved by shareholders.

E. Additional information

The number of shares in the Company held by KMP during the reporting period, including their personally related parties, is set out below:

Name	Balance at the start of the period	Received pre-IPO [1]	Received as remun-eration	Applications as part of the IPO [2]	Balance at the end of the period
Directors					
Peter Lowe	-	200,000	-	50,000	250,000
Dean & Michelle Clarke	-	600,000	-	2,300,000	2,900,000
Other KMP					
Glenn Raines	-	75,000	-	50,000	125,000
	-	875,000	-	2,400,000	3,275,000

1. All of the shares received by KMP prior to the IPO have been placed in escrow for a period of 2 years from listing, in accordance with ASX listing requirements. Of the 600,000 pre-IPO shares held by Dean and Michelle Clarke, 500,000 shares are held by D.W. & M.R. Clarke Pty Ltd (ATF D.W. & M.R. Clarke Family Trust) and 100,000 shares are held by Riversdale Road Shareholding Company Pty Ltd on trust for D.W & M.R Clarke Pty Ltd (ATF D.W. & M.R. Clarke Family Trust).
2. IPO shares: On 24 November 2016 (i) 2,300,000 shares at $1.00 were issued to D.W. & M.R Clarke Pty Ltd in lieu of cash payment, as part consideration for the purchase of their Camberwell childcare business; (ii) 50,000 shares at $1.00 were issued to Company Lowego Pty Ltd, via the General Priority Offer; and (iii) 50,000 shares at $1.00 were issued to Glenn Raines via the General Priority Offer.

LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to directors or to executives during the reporting period and to the date of this report.

SHARES UNDER OPTION

There were no unissued ordinary shares of Mayfield Childcare Limited under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Mayfield Childcare Limited issued on the exercise of options during the reporting period and to the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

INSURANCE OF OFFICERS AND INDEMNIFICATION OF AUDITOR

During the period ended 31 December 2016, Mayfield Childcare Limited paid a premium of $38,445 (2015 – Nil) to insure the directors and secretary, other KMP and officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings which may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of:

- Conduct involving a wilful breach of duty in relation to the Company, or
- Improper use of position or information to gain advantage for self or someone else, or
- Conduct causing detriment to the Company.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The auditor is indemnified by the Company against claims from third parties arising from the provision of audit services except where prohibited by the *Corporations Act 2001*, or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and/or experience with the Company is important.

DMR Corporate Pty Ltd (DMR) provided the Investigating Accountant's Report (IAR) for the IPO Prospectus and is a related party of PKF Melbourne, the Company's auditor.

The Board of directors considered the position and is satisfied that the provision of non-audit services in the form of the provision of the IAR is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that it has not undermined the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Details of the amounts paid or payable to the auditor and its related entities for non-audit services provided to the end of the reporting period are as follows:

	1 Jul 2016 - 31 Dec 2016 $	*1 Jul 2015 - 30 Jun 2016 $*
Non-audit services		
Investigating Accountant's Report	**245,000**	-
Prospectus financial modelling services	**55,143**	-
Total fees for non-audit services	**300,143**	-

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 16.

AUDITOR

PKF Melbourne was appointed during the reporting period as the Company's inaugural auditor and continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Peter Lowe

Chairman

Melbourne

29 March 2017

Auditor's Independence Declaration to the Directors of Mayfield Childcare Limited

In relation to our audit of the financial report of Mayfield Childcare Limited for the period ended 31 December 2016 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

PKF Melbourne Audit & Assurance

PKF Melbourne Audit & Assurance Pty Ltd

Ken Weldin

Kenneth Weldin

Partner

Melbourne, 29 March 2017

Corporate Governance Statement

As a company listed on the Australian Securities Exchange (ASX), Mayfield Childcare Limited ('Mayfield', 'Company') is required to have regard to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Recommendations), available from the ASX web-site (www.asx.com.au). The ASX Recommendations cover a range of 'aspirational' principles to promote good corporate governance. Mayfield aims to comply to the maximum extent practicable, considering the Company's resources, stage of development and current priorities. The corporate governance statement is current as at the date of this report and has been approved by the Board.

Our approach to corporate governance

(a) Framework and approach to corporate governance and responsibility

The Board of Mayfield is committed to maintaining the highest standards of corporate governance.

Corporate governance in essence is about adopting and maintaining a set of values that underpin the company's everyday activities - values that ensure fair dealing, transparency of actions, and protect the interests of all stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board's approach has been to be guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

(b) Compliance with the ASX Corporate Governance Principles and Recommendations

ASX Listing Rules requires listed companies to include in their Annual Report a statement disclosing the extent to which they have followed and complied with the ASX Corporate Governance Principles and Recommendations within the reporting period.

Listed companies must identify the recommendations that have not been followed and further disclose the rationale for not adopting any of the best practice recommendations, a case of 'if not, why not?' A summary of the Company's compliance with the ASX Corporate Governance Principles and Recommendation can be found on pages 25 to 32.

This Governance Statement describes the Company's governance practices and notes where they do not comply with the ASX Corporate Governance Principles and Recommendations.

The Company's full Corporate Governance Plan will be available shortly on the Company's website within a dedicated section encompassing its governance practices as part of a larger upgrade of the Company's website.

Date of this statement

This statement reflects the Company's corporate governance policies and procedures as at 29 March 2017.

The Board of Directors

(a) Membership and expertise of the Board

The Board has a broad range of relevant financial and industry skills, experience and expertise to meet its objectives. The current Board composition, with details of individual Director's backgrounds, is set out within the Directors Report on pages 8 to 9.

(b) Board role and responsibility

The Board is accountable to shareholders and stakeholders for Mayfield's performance. In summary, the Board's responsibilities include but are not limited to the following:

- providing strategic direction and approving corporate strategic initiatives;
- planning for Board and executive succession;
- selecting and evaluating future Directors, the Chief Executive Officer ("CEO") and other executives;
- setting CEO and Director remuneration within shareholder approved limits;
- approving budgets, monitoring management and financial performance;
- considering and approving the Annual Financial Report (including the Directors' Declaration) and the interim and final financial statements;
- approving Mayfield Childcare Limited's risk management strategy, monitoring its effectiveness and maintaining a direct and ongoing dialogue with the Company's auditors and regulators; and
- considering and reviewing the social and ethical impact of the Company's activities, setting standards for social and ethical practices and monitoring compliance with Mayfield's social responsibility policies and practices.

The Board would normally delegate to management responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing the Company's annual budget, recommending it to the Board for approval and managing day-to- day operations within budget; and
- managing day-to-day operations in accordance with standards for social and ethical practices set by the Board.

The company has adopted a Board Charter which sets out the specific responsibilities of the Board, the requirements as to the Board's composition, the roles and responsibilities of the Chairman, Company Secretary and management, the establishment and operations of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.

(c) Board size and composition

The Board determines its size and composition, subject to the limits imposed by the Company's Constitution. The Constitution requires a minimum of three and a maximum of seven Directors. In addition, at least two of the Directors shall ordinarily reside within Australia. Currently, the Board consists of three directors, one independent non-executive and two executive directors.

Election of Board members is substantially the province of the Shareholders in general meeting however the Board may fill casual vacancies within the year and seek shareholder approval at the next available general meeting of the Company. .

(d) The selection and role of the Chairman

The Chairman is selected by the Board from the non-executive Directors. The Chairman's role includes:

- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring that, when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities;
- ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of the Board of Directors.

The Board Charter provides that where practical the Chairman of the Board will be a non-executive director. The Chairman, Mr Peter Lowe is a non-executive director and is considered by the Board to be independent.

(e) Directors' Independence

The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

Materiality is assessed on a case-by-case basis by reference to each Directors' individual circumstances rather than general materiality thresholds. In assessing independence, the Board considers whether the Director has a business or any other relationship with the Company, either directly, or as a partner, shareholder or officer of a company with Mayfield or group member. Presently the only independent Director is Mr Peter Lowe; Mr Dean Clarke and Ms Michelle Clarke are executives of the Company and are therefore not considered to be independent. The Company will seek to appoint an additional independent Director in the future to address the lack of independence of its Directors in accordance with its governance policies.

(f) Avoidance of conflicts of interest by a Director

In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must excuse themselves when the matter is being considered and may not vote on such a matter in their capacity as a Director. Directors are provided with an opportunity to declare any existing or potential conflict of interest at the beginning of each board meeting with regards to any business under consideration at that meeting.

(g) Meetings of the Board and their conduct

Meetings of the Board occur as appropriate. Currently Board meetings have been scheduled in advance to occur on a monthly basis. Details of Board meetings held and attended are tabled in the Directors' Report, which forms part of this Annual Report.

(h) Succession planning

The Board plans succession of its own members taking into account the skills, experience and expertise required and currently represented, and Mayfield’s future direction. The Board is also responsible for CEO, CFO and Company Secretary succession planning together with other executive appointments as required.

(i) Review of Board performance

The Board of Mayfield are responsible for self-evaluation and individual Directors will be evaluated on an annual basis, with the aid of an independent advisor, if deemed required. No review has been conducted at the date of this statement noting that the Board has been in place for less than 12 months. Details of performance evaluations will be provided in the Company's future Annual Reports.

(j) Nomination and appointment of new Directors

Mayfield has detailed guidelines surrounding the appointment and selection of Board members. The Company's Corporate Governance Plan requires the Board to undertake an appropriate evaluation before appointing a person, or putting forward to shareholders a candidate for election, as a Director.

All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to shareholders within a Notice of Meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.

(k) Retirement and re-election of Directors

The Company's Constitution states that one-third of the total member Directors of the board must retire each year with the exception of the CEO or Managing Director. The maximum period that each Director can serve in any single term is three years. Any Director who has been appointed during the year must retire at the next annual general meeting of the Company and may offer themselves for election at that meeting. Eligible Directors who retire each year in accordance with the rotation policy may offer themselves for re-election by shareholders at the next annual general meeting.

(l) Compulsory retirement of Directors

The Board has no limit on the number of terms of office which any Director may serve in accordance with the Company's constitution.

(m) Board access to information and advice

All Directors have unrestricted access to company records and relevant information concerning the Company's operations. The Board is provided with regular detailed financial and operational reports and the Company Secretary provides Directors with ongoing guidance on issues such as corporate governance, the Company's Constitution and other regulatory considerations with assistance from external advisors where appropriate.

The Board collectively, and each Director individually has the right to seek independent professional advice at the Company's expense to the extent that it will enable them to carry out their responsibilities. The Chairman's consent must be sought prior to seeking such legal advice however it is noted that such consent will not be unreasonably withheld and, in the Chairpersons absence, Board approval may be sought.

(n) Diversity Policy

The Board has not formally adopted a diversity policy, however the Board has provided a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through its broader Code of Conduct. Once completed and approved by the Board, the Diversity Policy will be made available on the Company's website.

	31 December 2016	
	Number	**%**
Women on the Board	1	33
Women in senior management roles	3	60
Women employees in the Company	372	98

(o) Securities trading policy

Directors and employees are subject to the Corporations Act with regards to restrictions on trading the Company's shares if they are in possession of inside information. Inside information is regarded as any information that is non-public and, if it were public that a reasonable person would expect to have a material effect on the price of the Company's shares.

In addition, the Company has established a policy on the trading of Mayfield's shares, which applies to all Directors and employees. Key aspects of this policy are as follows:

- Directors and employees are encouraged to be long term holders of the Company's shares and are discouraged from any short-term trading;

- Directors and employees must not trade in shares one month prior to the release of the Company's half-year and full year results;

- Directors and employees may trade shares for 4 weeks following the announcement of the annual results, half-year results and the annual general meeting, provided the market has been fully informed. However, a trading embargo of 24 hours applies immediately after any significant announcement;

- Directors and employees need to ensure that the market is fully informed before they can trade and are encouraged to discuss any intended share trading with the Chairman or Company Secretary; and

- Trading outside the four-week period is required to be approved by the Chairman, prior to any transaction occurring.

Generally, if the market is fully informed, the approval will be granted.

- Directors are required to notify the Company Secretary within 2 days of a change in their beneficial interest in the company shares.

- Directors are also required to obtain a written acknowledgement of the Chairman (or the Board in the case of the Chairman) prior to trading.

Directors' interests in the company's shares have not changed since the initial admission of the Company to the ASX and each Director's interest is declared at the beginning of each Board meeting held.

Board committees

The Board will look to implement the following committees or a combination thereof once an additional independent director has been appointed:

- Audit Committee
- Board Risk Oversight Committee
- Board Nominations Committee
- Board Remuneration Committee

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company has not formally implemented the committees listed above. Pursuant to clause 3.2(s) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the above Committees under the written terms of reference or charters where applicable for those committees. These charters or policy documents will be posted to the Company's website within the Corporate Governance section.

Audit governance and independence

(a) Approach to audit governance

The Board is committed to these basic principles. Mayfield must:

- Produce true and fair financial reports;
- Prepare a framework of risk management and internal controls;
- Ensure transparent and timely reporting; and
- Ensure its accounting methods are comprehensive and relevant and comply with applicable accounting standards and policies.

(b) Engagement and rotation of external auditor

The Company's independent external auditor is PKF Melbourne and there is currently no set minimum or maximum term of engagement for the external auditor of the Company. However the audit partner responsible for the audit report must rotate at least once in any five year period in accordance with appropriate regulations.

(c) Discussions with external auditor on independence

The Board requires the external auditor to confirm that they have maintained their independence and this declaration is disclosed within the full-year and half-year financial report released by the Company and can be found on page 16.

(d) Relationship with auditor

- the audit partner and any audit firm employee on the Mayfield audit are prohibited from being an officer of the Company;
- an immediate family member of an audit partner or any audit firm employee on the Mayfield audit is prohibited from being a Director or an officer in a significant position of the Company;
- a former audit firm partner or employee on the Mayfield audit is prohibited from becoming a Director or officer in a significant position of the Company for at least five years.
- members of the audit team and firm are prohibited from having a business relationship with Mayfield or any officer of the Company unless the relationship is clearly insignificant to both parties;
- the audit firm, its partners, its employees who work on the Mayfield audit and their immediate family members are prohibited from having a direct or material indirect investment in the Company;
- officers of the Company are prohibited from receiving any remuneration from the audit firm;
- the audit firm is prohibited from having a financial interest in any Company with a controlling interest in Mayfield; and
- the audit firm engagement team in any given year cannot include a person who had been an officer of Mayfield during that year or in the proceeding 3 years.

(e) Restrictions on non-audit services by the external auditor

The external auditor is not restricted in the provision of non-audit services to the Company except as required by the Corporations Act or ASX Listing Rules. Any fees paid for non-audit services are disclosed with the auditor's remuneration sections of the Annual Report.

(f) Attendance at Annual General Meeting

The Company's external auditor is required to attend the annual general meeting of the Company and is available to answer shareholders questions in relation to the conduct of the audit of the financial report.

Controlling and managing risk

(a) Approach to risk management

The Board of the Company recognize that managing risk is central to the business and building shareholder value. Mayfield's approach is to identify, assess and control the risks which affect its business. The intention is to enable risks to be balanced against appropriate rewards. The risk management approach links the Company's vision, values, objectives, strategies, procedures and training.

(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. The Audit and Risk Management Committee would be responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of Mayfield's activities however this role is currently undertaken by the full Board.

(c) CFO assurance

The Board receives monthly reports regarding the financial condition and operational results of the Company and together with the CEO periodically provides formal statements to the Board that in all material respects:

- the company's periodic financial statements present a true and fair view of the Company's financial condition and operational results for those reporting periods; and

- that risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

Remuneration framework

(a) Overview

The remuneration package of an executive Director will be set by the Board, without the affected executive Director participating in that decision-making process.

In respect of executive remuneration (which for the avoidance of doubt includes both directors and executive management), remuneration packages are designed to include an appropriate balance of fixed and variable performance based remuneration and may contain any or all of the following:

Fixed remuneration

- be reasonable and fair;
- take into account the Company's legal and industrial obligations together with labour market conditions;
- be relative to the scale of the Company's business;
- reflect core performance requirements and expectations; and
- take into account incumbent skills and experience;

Variable performance-based remuneration

- take into account individual and corporate performance; and
- be linked to clearly-specified performance targets, which should be:
- aligned to the Company's short and long-term performance objectives; and
- appropriate to its circumstances, goals and risk appetite;

Equity-based remuneration

Can include options or performance shares and is especially effective when linked to hurdles that are aligned to the Company's longer-term performance objectives also taking into account executive performance. However, programs are designed so that they do not lead to 'short-termism' on the part of senior executives or the taking of undue risks.

Termination payments

Termination payments are agreed in advance, and any agreement will clearly address what will happen in the case of early termination. There will be no payment for removal for serious misconduct. Employment contracts for executives will have regard to the maximum amount that can be paid under the termination provisions under the *Corporations Act 2001 (Cth)*, and in particular the maximum amount that can be paid without requiring shareholder approval.

In respect of non-executive director remuneration, remuneration packages contain cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity) and may contain any or all of the following:

- fixed remuneration – this reflects the time commitment and responsibilities of the role;
- no performance-based remuneration – non-executive directors do not receive performance-based remuneration as it may lead to bias in their decision-making and compromise their independence;
- termination payments – non-executive directors are not be provided with retirement benefits other than superannuation.

The total maximum remuneration of Non-Executive Directors is initially set by the Directors and subsequent variation is by carrying an ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and ASX Listing Rules, as applicable. The determination of Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions made by each non-executive Director. The current amount has been set at an amount not to exceed $300,000 per annum.

In addition, a Director may be paid fees or other amounts, (e.g. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Board determine whether a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be reimbursed for reasonable travelling, hotel and other expenses incurred by them whilst carrying out their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(b) Employee Share and Option Plan

An Employee Share and Option Plan (ESOP) was formally adopted by the Directors of the Company on 27 October 2016. No rights or options have been granted over un-issued shares to any Director or executive employee of Mayfield as part of their remuneration as at the date of this report.

Corporate responsibility and sustainability

(a) Approach to corporate responsibility and sustainability

Mayfield Childcare Limited's approach to corporate responsibility and sustainability is to manage its business in a way that produces positive outcomes for all stakeholders and maximizes economic, social and environmental value simultaneously. In doing so, Mayfield accepts that the responsibilities flowing from this go beyond both strict legal obligations and the financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin the Company’s everyday activities and corporate responsibility practices.

(b) Code of conduct

The Company has in operation a formally adopted Code of Conduct that applies to all Directors, Executives and employees without exception. The intention of the Code is to govern workplace and human resource practices, risk management and legal compliance whilst ensuring alignment to the Shareholders' interests.

The Directors of Mayfield believe the core values of teamwork, integrity and performance ensure ethical outcomes and the alignment of the shareholders and the Boards' interests.

The ASX recommendations require that the Code of Conduct is reviewed periodically, specifically to reflect the ASX Corporate Governance Principles and Recommendations, such a review is yet to occur given the Code has only been in place for approximately five months.

(c) Insider trading policy and trading in Mayfield Childcare Limited shares

The Company Secretary together with the Board has responsibility for ensuring compliance with the continuous disclosure requirements in accordance with ASX Listing Rules, plus overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Mayfield is committed to giving all shareholders comprehensive and equal access to information about its activities, and to meet continuous disclosure obligations to the broader market. The Company’s policy is designed to ensure compliance with ASX Listing Rules continuous disclosure requirements and it ensures that any information that a reasonable person would expect to have a material effect on the price of the Company’s shares is disclosed.

Mayfield is currently redesigning it’s website to ensure efficient and timely communication with all stakeholders through this medium in conjunction with the ASX Company Announcements platform carrying all the relevant information.

Compliance with ASX Corporate Governance Council Good Practice Recommendations

The table below outlines each of the ASX Best Practice Recommendations and the Company's compliance with those recommendations. Where the Company has met the relevant recommendation during the reporting period, this is indicated by a "YES" in the relevant column. Where the Company has not met or complied with a recommendation, this is indicated by a "No" and an accompanying note explaining the reasons why the Company has not met the recommendation.

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board	YES	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, the requirements as to the Boards composition, the roles and responsibilities of the Chairman, Company Secretary and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.
Recommendation 1.2 A listed entity should disclose: (a) undertake appropriate checks before appointing a person, or putting forward a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake an appropriate evaluation before appointing a person, or putting forward to shareholders a candidate for election, as a Director (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to shareholders in a Notice of Meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company's Corporate Governance Plan requires the Board to ensure that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. Each current Director has executed such an agreement.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 1.4 The Company secretary of a listed entity should be accountable, directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the role, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters relating to the proper functioning of the Board.
Recommendation 1.5 A listed entity should: (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board; (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy. (ii) either: (A) the respective portions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	NO	(a) The Company has not formally adopted a Diversity Policy. (i) The broader Code of Conduct provides a framework for the Company to set and achieve measurable objectives that encompass gender equality. (b) The measurable objectives set by the Board will be included in the annual key performance indicators for senior executives. In addition, the Board will review progress against the objectives in its annual performance. The Board will include in its Annual Report each year, the Measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board level. A formal Diversity Policy will be adopted by the Company within the next 12 months.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) Currently, the roles of the Nomination Committee are undertaken by the full Board. The Company intends to establish a separate Nomination Committee once the Company's operations are of a significant magnitude and an independent Director is appointed. (b) The Board is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis, with the aid of an independent advisor, if deemed required. The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports. No evaluation has taken place to the date of this report given the fact no Director has served a twelve month term as a Director of the listed entity.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	NO	(a) The Board, as a whole, is responsible for evaluating the performance of senior executives and arranging performance evaluations. (b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. No evaluation has taken place at the date of this report given the fact no executive has been in office for a period of twelve months as a listed entity. Evaluations will be conducted in the future and the details of those evaluations will be disclosed in the Company's future annual reports.
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties	NO	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 3.25(s) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The Board devotes time on an annual basis to discuss Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with Recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES	The Board is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve). The composition of the Board is to be reviewed regularly against the Company's Board skill matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. This role will be performed by the Nomination Committee once established. The Company has disclosed the Board skill matrix within its Annual Reports.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	YES	(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent**.** The only current independent Director is Mr Peter Lowe**.** (b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interest disclosed by Directors,. Details of the Directors interest, positions, associations and relationship are provided in this report. (c) The length of services of each Director has been disclosed within the Directors Report.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	NO	The Board Charter requires that where practical the majority of the Board will consist of independent Directors. Details of each Director's independence is provided within the Directors Report. The only current independent Director is Mr Peter Lowe. The Company will seek to appoint additional independent Directors in the future to address the current imbalance.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	YES	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. The Chairman, Mr Peter Lowe is a non-executive director and considered by the Board to be independent.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Nomination Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 3.2(s) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it	NO	(a) The Company currently operates under a documented Code of Conduct and applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is not published at the date of this report however it will be disclosed within the Corporate Governance section of the Company's website which is currently being updated.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointing and removal of the external auditor and the rotation of the external auditor.	NO	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an Audit Committee. Pursuant to clause 3.2(s) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit Committee under the written terms of reference for that committee. The Board devotes time annually to fulfilling the roles and Responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO/MD and CFO have declared that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from shareholders relevant to the Annual Report.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from shareholders relevant to the audit of the financial report.
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it	NO	(a) The Company has adopted a Continuous Disclosure Policy' which documents the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Company's Continuous Disclosure Policy is not published at the date of this report however it will be disclosed within the Corporate Governance section of the Company's website which is currently being updated.
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	NO	Information about the Company and its governance will be available in a dedicated Corporate Governance section on the Company's website which is currently being updated. The updated website is expected to be completed in April 2017.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to Shareholders.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders.	YES	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links will be made available to the Company's updated website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company.
Recommendation 6.4 A listed entity should give shareholders the option to receive communications from, and send communications to, the entity and its board.	YES	Shareholders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders' queries should be referred to the Company Secretary in the first instance.
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	NO	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an Risk Management Committee. Pursuant to clause 3.2(s) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Risk Management Committee under the written terms of reference for that committee. The Board devotes time annually to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	YES	(a) The Company's process for risk management and internal compliance includes a requirement on the Board to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. (b) The Board has evaluated the Company's risk management framework at the date of this report.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control process.	NO	Due to the magnitude of the Company's operations, the Company does not currently have an internal audit function. The full Board has reviewed the current internal controls in place and has deemed them sufficient after consultation with the Company's external auditors.
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	The Company currently has a Risk Management Policy in place which guides the Board, in the absence of the Risk Management Committee, on assessing and mitigating against economic, environmental and social sustainability risks.
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director; and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate.	NO	Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant to clause 3.2(s) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. A Remuneration Committee will be formed once an additional independent Director has been appointed. The Board will devote time annually to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Company discloses its policies and practices regarding the remuneration of non-executive and executive directors and other senior employees within its Annual Financial Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	NO	Equity based executive remuneration is made in accordance with the thresholds as set out in the ESOP which was approved by Directors on 27 October 2016. The Plan does not contain a policy on whether participants are permitted to enter into transactions to limit the economic risk of participating in the plan, however it is noted that the Company's Securities Trading Policy sets the parameters of such transactions.

Financial Report

For the period ended 31 December 2016

Contents

This financial report is for Mayfield Childcare Limited ("Mayfield Childcare", "Company").

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Mayfield Childcare Limited is a public company limited by shares, incorporated and domiciled in Australia, and listed on the Australian Securities Exchange since 30 November 2016. Its registered office and principal place of business is:

Level 1, Suite 3

275 Wattletree Road

Malvern VIC 3144

A description of the nature of the Company's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 29 March 2017. The directors have the power to amend and to reissue the financial report.

A copy of this financial report may be obtained from the ASX website (www.asx.com.au).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 31 December 2016

	Note	1 Jul 2016 - 31 Dec 2016 $	1 Jul 2015 - 30 Jun 2016 $
Revenue		**2,288,185**	-
Expenses			
Employees	5	**(1,443,881)**	-
Facilities		**(315,732)**	-
Centre operations	5	**(121,781)**	-
Acquisition costs		**(1,257,025)**	-
Initial listing costs		**(248,727)**	-
Integration		**(207,793)**	-
Administration		**(81,094)**	(63)
Depreciation and amortisation		**(14,901)**	-
Finance costs		**(29,949)**	
Loss before income tax		**(1,432,698)**	(63)
Income tax benefit	6	**184,607**	-
Loss after income tax for the period entirely attributable to the owners of Mayfield Childcare Limited	18	**(1,248,091)**	(63)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive expense for the period entirely attributable to the owners of Mayfield Childcare Limited		**(1,248,091)**	(63)

		Cents
Basic earnings per share	26	**(4.16)**
Diluted earnings per share	26	**(4.16)**

The above statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	*31 Dec 2016* *$*	*30 Jun 2016* *$*
ASSETS			
Current assets			
Cash and cash equivalents	7	**1,410,473**	-
Trade and other receivables	8	**1,114,475**	-
Other	9	**287,280**	-
Total current assets		**2,812,228**	-
Non-current assets			
Plant and equipment	10	**1,160,515**	-
Intangibles	11	**27,018,231**	-
Deferred tax	12	**234,360**	-
Total non-current assets		**28,413,106**	-
Total assets		**31,225,334**	-
LIABILITIES			
Current liabilities			
Trade and other payables	13	**2,019,793**	-
Borrowings	14	**4,635**	-
Current tax liabilities	15	**49,753**	-
Provisions	16	**278,226**	-
Total current liabilities		**2,352,407**	-
Non-current liabilities			
Borrowings	14	**7,480,212**	23
Provisions	16	**613,158**	-
Total non-current liabilities		**8,093,370**	-
Total liabilities		**10,445,777**	23
Net assets		**20,779,557**	(23)
EQUITY			
Contributed equity	17(b)	**22,028,381**	710
Accumulated losses	18	**(1,248,824)**	(733)
Total Equity		**20,779,557**	(23)

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

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2016

	Share Capital *$*	*Retained Earnings* *$*	*Total* *$*
Balance as at 1 July 2015	710	(670)	40
Loss after income tax benefit for the year	-	(63)	(63)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive expense for the year	-	(63)	(63)
Transactions with owners in their capacity as owners			
Contributions of equity, net of transaction costs	-	-	-
Balance as at 30 June 2016	710	(733)	(23)
Loss after income tax benefit for the period	-	(1,248,091)	(1,248,091)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive expense for the period	-	(1,248,091)	(1,248,091)
Transactions with owners in their capacity as owners			
Contributions of equity, net of transaction costs	22,027,671	-	22,027,671
Balance as at 31 December 2016	**22,028,381**	**(1,248,824)**	**20,779,557**

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

STATEMENT OF CASH FLOWS
For the period ended 31 December 2016

	Note	1 Jul 2016 - 31 Dec 2016 $	1 Jul 2015 - 30 Jun 2016 $
Cash flows from operating activities			
Receipts from customers, including government funding		**1,660,616**	-
Payments to suppliers and employees		**(1,405,345)**	(63)
		255,271	(63)
Interest paid		**(28,616)**	-
Net cash inflow/(outflow) from operating activities	25	**226,655**	(63)
Cash flows from investing activities			
Payments for purchases of businesses plus associated costs		**(25,019,715)**	-
Payments for plant and equipment		**(46,762)**	-
Net cash outflow from investing activities		**(25,066,477)**	-
Cash flows from financing activities			
Proceeds from issue of shares		**20,761,085**	-
Proceeds from borrowings		**7,628,964**	23
Share issue costs		**(1,681,087)**	-
Payment of public company initial listing costs		**(232,917)**	-
Repayment of borrowings		**(180,750)**	-
Payment of borrowing costs		**(45,000)**	-
Net cash inflow from financing activities		**26,250,295**	23
Net increase in cash and cash equivalents		**1,410,473**	(40)
Cash and cash equivalents at the beginning of the period		**-**	40
Cash and cash equivalents at the end of the period	7	**1,410,473**	-

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Mayfield Childcare Limited ("Mayfield Childcare", "Company") in the preparation of the financial statements are set out below. The financial statements are prepared on a going concern basis.

The preparation of current financial information, and the presentation of any prior reporting period comparatives, is consistent from one reporting period to the next.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been adopted early. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements of Mayfield Childcare Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas in which assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Operating segments

Any operating segments requiring separate disclosure will be reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources to, and assessing the performance of, any such operating segments. The Chief Executive Officer is considered to be the chief operating decision maker.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to its present value as at the date of acquisition. The resulting contingent consideration is recognised as a financial liability and is remeasured to fair value at the end of each reporting period, with any such changes in fair value recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis. The Company will retrospectively adjust the provisional amounts recognised and also recognise any additional assets or liabilities identified during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on the earlier of either (i) 12 months from the date of acquisition; or (ii) when the Company receives all the information possible to determine fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue received in advance is recognised as deferred income and classified as a liability until earned.

Provision of childcare services

Benefits and rebates received from the Commonwealth and State Governments, and fees received from parents and guardians, are recognised as revenue as and when the underlying service is provided.

Commonwealth, State and Local Government grants

Grants from the Commonwealth, State or Local Governments are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all conditions associated with the grant.

Interest

Interest income is recognised using the effective interest method.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income, based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, any unused tax losses and any adjustments recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits.

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

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amounts to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the assets.

Deferred tax assets and tax liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax balances relate to the same taxation authority.

(f) Cash and cash equivalents

Cash and cash equivalents includes all 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.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(g) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. Collectability of trade 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 Company will not be able to collect the entire amount due. 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

- Plant and equipment: 5 - 10 years
- Computer equipment: 3 - 5 years
- Vehicles: 3 - 6 years

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

Plant and equipment under lease is depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(i) Leases

Leases of plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as a liability. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over their useful lives or, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, over the shorter of the assets' useful lives and the lease terms.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(j) Intangible assets

Goodwill

Goodwill is measured as described in Note 1(c) above. Goodwill is not amortised but it is tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGU's). Non-financial assets, other than goodwill, which suffer an impairment are reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually due for settlement no more than 30 days from the date of recognition. Due to their short-term nature the amounts recognised are deemed to reflect fair value.

(m) Borrowings

Loans and 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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are no longer recognised when the contractual obligations are discharged, cancelled or expired.

(n) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

The discount rate used to determine the present value is a pre-tax rate which reflects current market assessments of the time value of money and the liability specific risks. Any increase in the provision due to the passage of time would be recognised as a finance cost.

(o) Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of a business acquisition is deferred. It is initially recognised at fair value at the acquisition-date, which is determined by discounting the amount due to present value at that date. The liability is subsequently measured at amortised cost using the effective interest method.

(p) Finance costs

Finance costs attributable to qualifying assets, being assets which necessarily take a substantial period of time to be readied for their intended use or sale, are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(q) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date, are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for employee benefits (annual and long service leave) not expected to be settled within 12 months of the reporting date is measured as the estimated present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency which match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for any bonus elements in ordinary shares issued during the reporting 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 financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(u) New Accounting Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

- **AASB 9 *Financial Instruments***

  Nature of change

  AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  Impact

  While the Company has yet to undertake a detailed assessment, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There should be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

  Under the new hedge accounting rules, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach, however the Company is yet to undertake hedged transactions.

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Company has not yet undertaken a detailed assessment of how its impairment provisions might be affected by the new model.

  The new standard also introduces expanded disclosure requirements and changes in presentation, all of which could change the nature and extent of the Company's future disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

  Mandatory application date

  Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Company does not intend to adopt AASB 9 before its mandatory application date.

- **AASB 15 *Revenue from Contracts with Customers***

  Nature of change

  The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  Impact

  At this stage, the Company is not able to estimate the effect of the new rules on its financial statements.

  Mandatory application date

  Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. The Company does not intend to adopt AASB 15 before its mandatory application date.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 1. Summary of significant accounting policies (continued)

(u) New Accounting Standards and interpretations not yet adopted (continued)

- **AASB 16 *Leases***

  Nature of change

  AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

  Impact

  The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of $18,845,848 (refer Note 21). However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. Some of the commitments may be excluded from recognition by the exception for short-term and low-value leases, whilst some commitments may relate to arrangements that will not qualify as leases under AASB 16.

  Mandatory application date

  Mandatory for financial years commencing on or after 1 January 2019. The Company does not intend to adopt AASB 16 before its mandatory application date.

Note 2. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potentially adverse effects upon the performance of the Company. To date, the Company has not used derivative financial instruments to hedge its risk exposures.

Financial risk management is the responsibility of the Chief Financial Officer, acting within guidelines approved by the Board of Directors. The Company's risk exposures are identified and analysed using different methods, such as sensitivity analysis for interest rate risk and debtor ageing for credit risk.

The Company holds the following financial instruments:

	31 Dec 2016	*30 Jun 2016*
	$	*$*
Financial assets		
Cash and cash equivalents	**1,410,473**	-
Trade and other receivables	**1,114,475**	-
	2,524,948	-
Financial liabilities		
Trade and other payables	**2,019,793**	-
Borrowings	**7,484,847**	23
	9,504,640	23

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 2. Financial risk management (continued)

(a) Market Risk

Foreign exchange risk

The Company has not undertaken any material foreign currency denominated transactions, hence it is not exposed to foreign currency risk through foreign currency exchange rate fluctuations.

Price risk

The Company is not exposed to any material price risk.

Interest rate risk

The Company's predominant interest rate risk arises from its long-term borrowings. Borrowings undertaken at variable rates exposes the Company to interest rate risk, whereas borrowings undertaken at fixed rates expose the Company to fair value interest rate risk.

At 31 December 2016 the Company's initial $8,000,000 Westpac loan facility bore a 3.265% p.a. variable interest rate on the amount of $7,448,214 drawn down, plus a 0.75% p.a. line fee on the overall facility, which amounted to an average interest rate of 4.071% on the amount drawn down.

An increase/decrease in these interest rates of 50 basis points, if applied for a whole year and with all other variables held constant, would result in a decrease/increase in after-tax profit of $54,069 p.a.

(b) Credit Risk

The Company is exposed to credit risk arising from the potential of a counterparty to fail to fulfil their financial obligations, thereby exposing the Company to financial loss. At 31 December 2016 the Company's exposure to credit risk lay predominantly with its trade receivables. The Company utilises a three tiered approach to managing its trade receivables: firstly, at the centre director level, then, at the area manager level and, finally, at the corporate executive level. Given the relatively small individual trade receivable balances, the use of external debt collection agencies would not normally be appropriate.

At 31 December 2016 the maximum exposure to credit risk of recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, cash equivalents and readily marketable investments to enable it to meet its debts as and when they become due and payable. The Company manages liquidity by continuously monitoring forecast and actual cash flows, ensuring it holds adequate cash reserves and has sufficient borrowing capacity to meet its future funding requirements.

Financing arrangements

Unused borrowing facilities are as follows:

	31 Dec 2016
	$
Westpac Banking Corporation	
Business Finance Loan [1]	551,786
Commercial credit card facility	52,500
	604,286

1. Subject to meeting Westpac's pre-approval criteria, may be drawn upon for the purpose of funding childcare business acquisitions.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 2. Financial risk management (continued)

(c) Liquidity Risk (continued)

In addition to the above unused borrowing facilities, the Company:

- subject to meeting Westpac's pre-approval criteria, may draw upon up to a further $8,000,000 loan facility for the purpose of funding childcare business acquisitions; and
- has fully utilised its $850,000 Westpac rental bond facility.

Maturity of financial liabilities

The following table analyses the Company's financial liabilities into relevant maturity groupings, based on their contractual maturities – they are not expected to occur significantly earlier than as contracted at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

31 December 2016	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
Non-interest bearing						
Trade and other payables	2,019,793	-	-	-	2,019,793	2,019,793
Interest bearing – fixed						
Borrowings (finance lease)	6,866	6,866	27,955	-	41,687	36,633
Interest bearing – variable						
Borrowings (bank loan)	303,184	303,184	7,719,833	-	8,326,201	7,448,214
Total financial liabilities	2,329,843	310,050	7,747,788	-	10,387,681	9,504,640

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions which affect the amounts reported in the financial statements. Management regularly evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual, eventual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months are as follows:

Goodwill

The Company will test annually, or more frequently if events or changes in circumstances indicate impairment, whether or not goodwill has suffered an impairment, in according with the accounting policy stated in Note 1 above. The recoverable amounts of cash-generating units (CGU's) are determined based on value-in-use calculations, which require the use of assumptions, including estimated discount rates, based on the current cost of capital, and the growth rates of the estimated future cash flows.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in Note 1 above, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been made.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Business combinations

Business combinations are initially accounted for on a provisional basis, as discussed in Note 1 above. The fair values of assets acquired and liabilities assumed, both actual and contingent, are initially estimated by taking into consideration all information available at the reporting date. Any subsequent fair value adjustments, on the finalisation of business combinations accounting standard requirements, are retrospective to the period in which the combination occurred and may, therefore, have an impact on the value of assets and liabilities, and concomitant depreciation and amortisation, reported.

Note 4. Operating segments

Identification of reportable segments

The Company operates in one operating segment, as a childcare services provider. The Company operates in one geographical region, being Australia and, more specifically, Victoria.

Major customers

During the period ended 31 December 2016, none of the Company's revenue was derived from sales to specific customers generating, individually, 10% or more of total reported revenue.

	1 Jul 2016 - 31 Dec 2016 $	*1 Jul 2015 - 30 Jun 2016 $*
Note 5. Expenses		
Loss before income tax includes the following specific expenses:		
Centre operations		
Impairment charge – Trade Debtors	**8,721**	-
Rental expense relating to operating leases – Minimum lease payments	**266,259**	-
Defined contribution superannuation expense	**110,186**	-
Note 6. Income tax benefit		
Aggregate income tax benefit	**184,607**	-
Deferred income tax expense/(revenue) included in income tax benefit comprises:		
Increase in deferred tax assets (Note 12)	**(234,360)**	-
Numerical reconciliation of income tax benefit to prima facie tax refund		
Loss before income tax benefit	**(1,432,698)**	(63)
Tax benefit at the statutory rate of 30%	**429,809**	19
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition costs	**(356,408)**	-
Share issue costs	**118,406**	-
Non-deductible expenses	**(7,200)**	(19)
Income tax benefit	**184,607**	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

	31 Dec 2016 $	*30 Jun 2016* $

Note 7. Current assets - Cash and cash equivalents

Cash and cash equivalents		
Cash at bank (balance as per statement of cash flows)	**1,410,473**	-

Cash at bank is non-interest bearing and is denominated entirely in Australian currency.

Note 8. Current assets - Trade and other receivables

Trade receivables	**515,150**	-
Less: Provision for impairment of trade receivables	**(8,721)**	-
	506,429	-
GST receivable	**198,729**	-
Other receivables	**409,317**	-
	1,114,475	-

Impairment of trade receivables

Trade receivables assessed as impaired were no more than 1 month overdue. Customers with balances past due but assessed as not being impaired totalled $38,095.

Note 9. Current assets - Other

Prepayments	**287,280**	-

Note 10. Non-current assets - Plant and equipment

Plant and equipment		
Plant and equipment - at cost	**1,175,416**	-
Less: Accumulated depreciation	**(14,901)**	-
Net book amount	**1,160,515**	-
Reconciliation		
Opening net book amount	**-**	-
Additions through business combinations	**1,072,853**	-
Additions	**102,563**	-
Depreciation expense	**(14,901)**	-
Balance at period end	**1,160,515**	-

Leased assets

Plant and equipment includes the following amounts where the Company is a lessee under a finance lease:

Plant and equipment - at cost	**33,807**	-
Less: Accumulated depreciation	**-**	-
Net book amount	**33,807**	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

	31 Dec 2016 $	30 Jun 2016 $

Note 11. Non-current assets – Intangibles

	31 Dec 2016 $	30 Jun 2016 $
Goodwill – at cost	**27,018,231**	-
Reconciliation		
Balance at beginning of period	**-**	-
Additions through business combinations	**27,018,231**	-
Balance at period end	**27,018,231**	-

Impairment test for goodwill

Goodwill is allocated to individual, childcare centre-based cash-generating units (CGUs). The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use a pre-tax discount of 14% and cash flow projections based on financial forecasts for the 12 months immediately following reporting date. Cash flows beyond 12 months are extrapolated using the estimated growth rates of occupancy and daily fee rate. The growth rate is, effectively, the long term average growth rate for the entire business and, given the proximity of the current reporting date to the release of the IPO Prospectus and the limited subsequent trading history, the Company believes that the assumptions made in the Prospectus remain appropriate.

Impact of possible changes in assumptions – sensitivity analysis

Any reasonable possible change in valuation parameters would not cause the carrying amount of each CGU to exceed its recoverable amount.

Note 12. Non-current assets – Deferred tax

	31 Dec 2016 $	30 Jun 2016 $
Deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	**144,642**	-
Initial listing costs	**59,182**	-
Borrowing costs	**12,920**	-
Audit fees	**15,000**	-
Impairment of receivables	**2,616**	-
Deferred tax asset	**234,360**	-
Movements:		
Credited to profit or loss (Note 6)	**184,607**	-
Current tax payable	**49,753**	-
Closing balance	**234,360**	

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 13. Current liabilities - Trade and other payables

	31 Dec 2016 $	*30 Jun 2016* $
Trade payables	**210,736**	-
Other payables	**1,673,391**	-
Deferred revenue	**135,666**	-
	2,019,793	-

Note 14. Current & Non-current liabilities – Borrowings

	31 Dec 2016 $	*30 Jun 2016* $
Loans		
Non-current	**7,448,214**	23
Finance lease		
Current	**4,635**	-
Non-current	**31,998**	-
	36,633	-
Reconciliation		
Current liabilities		
Finance lease	**4,635**	-
Non-current liabilities		
Loans	**7,448,214**	23
Finance lease	**31,998**	-
	7,480,212	23

Financing arrangements

Bank loan

The bank loan is secured on the assets and undertakings of the Company.

	31 Dec 2016 $	*30 Jun 2016* $
Total bank loan facility at reporting date	**8,000,000**	-
Less amount used at reporting date	**(7,448,214)**	-
Unused bank loan facility at reporting date	**551,786**	-

The unused portion of the bank loan facility is only available for future acquisitions and there are specific criteria that need to be met prior to any draw-down. There have been no events of default on the financing arrangements of the Company during the reporting period.

Overdraft

The Company does not have an overdraft.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

	31 Dec 2016	*30 Jun 2016*
	$	*$*

Note 15. Current liabilities – Current tax liabilities

Current tax liability	**49,753**	-

Note 16. Current & Non-current liabilities – Provisions

Provisions for employee benefits: annual and long service leave		
Current	**278,226**	-
Non-current	**93,158**	-
	371,384	-
Provision for additional purchase consideration (earn-out)		
Non-current	**520,000**	-

Reconciliation

Current Liabilities		
Provisions for employee benefits	**278,226**	-
Non-current liabilities		
Provision for employee benefits	**93,158**	-
Provision for additional purchase consideration (earn-out)	**520,000**	-
	613,158	-

Movements in provisions

Movements in each class of provision during the period were as follows:

	Employee benefits $	Additional purchase consideration (earn-out) $	Total $
Carrying amount at start of period	-	-	-
Recognised upon acquisition of childcare businesses	294,797	520,000	814,797
Charged/(credited) to income statement			
- additional provisions recognized	85,500	-	85,500
- unused amounts reversed	-	-	-
Amounts used during the period	(8,913)	-	(8,913)
Carrying amount at end of period	**371,384**	**520,000**	**891,384**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 17. Contributed equity

(a) Share capital

The share capital account of Mayfield Childcare Limited (the Company) consists of 30,005,000 fully paid up, ordinary shares as at 31 December 2016.

(b) Movements in ordinary share capital

Mayfield Childcare Pty Ltd was incorporated on 25 March 2015. On 30 September 2016 the Company converted to a public company and it subsequently undertook an initial public offering (IPO) which was completed on 24 November 2016 with the allotment of 24,000,000 new ordinary, fully paid-up shares.

The movement in ordinary share capital of the Company up to reporting date is as follows:

Date	Details	Number of shares	Amount $
1 Jul 2016	Opening balance	7,100,000	710
22 Aug 2016	New issue	3,750,000	1,085
27 Oct 2016	Share reduction	(3,080,000)	-
31 Oct 2016	Share reduction	(1,765,000)	-
24 Nov 2016	Issue of shares at IPO	21,100,000	21,100,000
24 Nov 2016	Issue of shares in lieu of cash	2,900,000	2,900,000
	Less: Share issue transaction costs, net of tax		(1,973,414)
31 Dec 2016	Balance	30,005,000	22,028,381

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and the proceeds on winding up of the Company, in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting of the Company, either personally or by duly authorised representative, proxy or attorney, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share options

There were no unissued ordinary shares of Mayfield Childcare Limited under option at 31 December 2016.

There were no ordinary shares of Mayfield Childcare Limited issued on the exercise of options during the reporting period.

(e) Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders, benefits for other stakeholders and minimise the cost of capital by optimising its capital structure.

Future optimisation measures may include any or all of adjusting the amount of dividends it distributes and/or returning capital to its shareholders, raising capital by issuing new shares, selling assets to reduce debt and further borrowing from Westpac. As a general principle, the Company will seek to utilise its borrowing capacity to fund the acquisition of new childcare businesses, whilst ensuring it adheres to the financial and operating covenants therein. The Company has not defaulted on any of these covenants during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 18. Accumulated losses

	1 Jul 2016 - 31 Dec 2016 $	*1 Jul 2015 - 30 Jun 2016 $*
Movements in accumulated losses were as follows:		
Opening balance	**(733)**	(670)
Loss after income tax benefit for the period	**(1,248,091)**	(63)
Closing balance	**(1,248,824)**	(733)

Note 19. Business combinations

The Company acquired 16 childcare centres on 25 November 2016, for the total consideration transferred of $27,276,287 in cash and shares. The fair values ascribed to the assets acquired and liabilities assumed are as follows:

	Fair value $
Plant and equipment	1,072,853
Provisions for employee benefits	(294,797)
Provision for additional purchase consideration (earn-out)	(520,000)
Goodwill	27,018,231
Acquisition-date fair value of the total consideration transferred	27,276,287
Representing	
Mayfield Childcare Limited shares issued to vendors	2,600,000
Cash paid to vendors	24,676,287
	27,726,287

Note 20. Key management personnel (KMP) disclosures

The aggregate compensation made to directors and other KMP of the Company was as follows:

	1 Jul 2016 - 31 Dec 2016 $	*1 Jul 2015 - 30 Jun 2016 $*
Short-term employee benefits	**47,038**	-
Long-term benefits	**3,854**	-
	50,892	-

Detailed remuneration disclosures are provided in the Directors' Report, within sections A to D of the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 21. Commitments

	31 Dec 2016 $	30 Jun 2016 $
(a) Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**3,985**	-
Between 1 and 5 years	**-**	-
Later than 5 years	**-**	-
Commitments not recognised in the financial statements	**3,985**	-
(b) Lease commitments		
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**2,562,309**	-
Between 1 and 5 years	**9,254,072**	-
Later than 5 years	**7,029,467**	-
Commitments not recognised in the financial statements	**18,845,848**	-

Operating lease commitments are for the Company's childcare centres under non-cancellable leases expiring within 1 to 10 years, all with options to extend for further periods. The lease have various escalation terms, varying from CPI through to fixed percentages, many with periodic rent reviews.

	31 Dec 2016 $	30 Jun 2016 $
Finance lease		
Commitments for minimum lease payments in relation to non-cancellable finance lease are payable as follows:		
Within 1 year	**6,866**	-
Between 1 and 5 years	**34,821**	-
Later than 5 years	**-**	-
Minimum lease payments	**41,687**	-
Less: Future finance charges	**(5,054)**	-
Total lease liability	**36,633**	-
Representing lease liabilities (Note 14)		
Current	**4,635**	-
Non-current	**31,998**	-
	36,633	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 22. Remuneration of auditor

During the period the following fees were paid or payable for services provided by the auditor and its related practices:

	1 Jul 2016 - 31 Dec 2016 $	*1 Jul 2015 - 30 Jun 2016 $*
Audit services		
Audit of financial reports	**50,000**	-
Non-audit services		
Investigating Accountant's Report	**245,000**	-
Prospectus financial modelling services	**55,143**	-
	300,143	-
Total fees of PKF Melbourne and its related practices	**350,143**	-

The Company's financial reports were not audited by PKF Melbourne in the prior reporting period.

Note 23. Related party transactions

Subsidiaries

The Company does not have any subsidiaries.

Key management personnel (KMP)

Detailed remuneration disclosures relating to KMP are set out in Note 20 and in the Directors' Report, within sections A to D of the Remuneration Report.

Transactions with related parties

Acquisition of Camberwell childcare centre

As disclosed in the Prospectus, Dean and Michelle Clarke control D.W & M.R Clarke Pty Ltd which, as trustee for the D.W & M.R Clarke Family Trust, sold the Little Learners childcare centre in Camberwell to the Company for $5.3 million. Little Learners Camberwell has 70 licensed places and is among the most profitable of the Mayfield Childcare Centres – please refer to the Prospectus for further information.

Issue of shares pre-IPO

Refer to section E of the Remuneration Report, within the Directors' Report, for details of ordinary shares issued to KMP prior to the IPO.

Provision of pre-employment services pre-IPO

Glenn Raines, CFO, was paid $50,000 for consultancy services provided from June 2016 up until the commencement of his employment on 28 November 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2016

Note 24. Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect, the Company's operations, the results of those operations or the Company's state of affairs in future years.

Note 25. Reconciliation of loss after income tax to net cash from operating activities

	1 Jul 2016 - 31 Dec 2016 $	*1 Jul 2015 - 30 Jun 2016 $*
Loss after income tax benefit for the period	**(1,248,091)**	(63)
Acquisition costs	**1,257,025**	-
Initial listing costs	**248,727**	-
Depreciation and amortisation	**14,901**	-
Impairment charge	**8,721**	-
Change in operating assets and liabilities		
Increase in trade and other receivables	**(728,984)**	-
Increase in other operating assets	**(287,280)**	-
Increase in deferred tax assets	**(234,360)**	-
Increase in trade and other payables	**1,069,655**	-
Increase in current tax liabilities	**49,753**	-
Increase in provisions	**76,588**	-
Net cash inflow/(outflow) from operating activities	**226,655**	(63)

Note 26. Earnings per share

	Period ended 31 Dec 2016
	Cents
Basic and diluted earnings/(loss) per share	**(4.16)**
	Number
Weighted average number of shares	
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	**30,005,000**
	$
Earnings used in calculating basic and diluted earnings per share	
Loss after tax attributable to the ordinary equity holders of the Company	**(1,248,091)**

There were no results from discontinued operations, nor net loss attributable to outside equity interests, to be taken into account in determining earnings used in calculating basic and diluted earnings per share.

Information concerning the classification of securities

As at reporting date the Company had not issued any share options, therefore diluted earnings per share is the same as basic earnings per share.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 34 to 56 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Peter Lowe

Chairman

Melbourne

29 March 2017

Independent Auditor's Report to the Members of Mayfield Childcare Limited

Report on the Audit of the Financial Report

Our Opinion

We have audited the accompanying financial report of Mayfield Childcare Limited (the Company), which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' Declaration.

In our opinion the accompanying financial report of Mayfield Childcare 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 31 December 2016 and of its performance for the period then ended; and

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

Basis for Opinion

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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have communicated the key audit matters to the Directors but they are not a comprehensive reflection of all matters identified by our audit and that we discussed with the Directors.

We have determined the matters described in the table to be the key audit matters to be communicated in our report.

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PKF

Summary of matter	How our audit addressed the key audit matter
Acquisition Accounting *Refer to note 11 in the financial report* During the period, the Company acquired the net assets of sixteen childcare centres. Acquisition accounting involves the recognition and measurement of identifiable assets and liabilities at their fair value. This process is inherently complex and requires a level of judgement and assumptions and is therefore considered important to the audit.	Our audit procedures included, among others: • Considering the Company's assessment of the application of AASB 3 *Business Combinations;* • Reviewing the provisional accounting entries associated with the business combination; • Assessing the methodology applied to recognise the fair value of identifiable assets and liabilities; • Validating inputs of the components of the business combination to underlying support including settlement contracts; and • Reviewing the related financial statement disclosures for the acquisition of the centres for consistency with the relevant financial reporting standards.
Valuation of Goodwill *Refer to note 11 in the financial report* Under AASB 136 *Impairment of Assets*, the Company is required to annually test the amount of goodwill for impairment. The impairment test was performed on the $27 million goodwill balance as at 31 December 2016 as it is material to the financial statements. In addition, management's assessment process is complex and highly judgemental and is based on assumptions, specifically, expected future operating and financial performance, which is affected by expected future market or economic conditions, particularly those in Victoria.	Our audit procedures included, among others: • Reviewing the assumptions and methodologies used by the Company, in particular those relating to the assumed revenue growth and profit margins within the cash flow forecasts of the impairment model; • Assessing the Company's identification of cash generating units ('CGU's') and the allocation of goodwill acquired to each CGU; and • Considering the adequacy of Mayfield's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the period ended 31 December 2016, 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 Company 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability 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 Company or to cease operations, or have 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.

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 Company'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 Company'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 Company 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.

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, related safeguards.

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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the Directors' Report for the period ended 31 December 2016.

In our opinion, the Remuneration Report of Mayfield Childcare Limited, for the period ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

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.

PKF Melbourne Audit & Assurance

PKF Melbourne Audit & Assurance Pty Ltd

Ken Weldin

Kenneth Weldin

Partner

Melbourne, 29 March 2017

Shareholder Information

The shareholder information in this section was applicable as at 10 March 2017.

Number of equity securities

The Company had on issue 30,005,000 fully paid ordinary shares, held by a total of 575 shareholders. There is no on-market buy-back scheme.

Distribution of equity securities

The distribution of equity securities categorised by size of holding is as follows:

Range	Number of holders of ordinary shares
1 to 1,000	37
1,001 to 5,000	131
5,001 to 10,000	84
10,001 to 100,000	292
100,001 and over	31
Total	575

There are 12 security holders holding less than a marketable parcel (being $500) at the ASX closing price of $1.17.

Substantial holders

The Company has received substantial shareholding notices from the following holders:

Holder	Number of shares held	Percentage of total shares on issue
Riversdale Road Shareholding Company Pty Ltd (ATF Riversdale Road Shareholding Trust)	7,260,000	24.2
D.W. & M.R. Clarke Pty Ltd (ATF D.W. & M.R. Clarke Family Trust)	2,900,000	9.7
Total	10,160,000	33.9

Restricted securities

As required by the ASX as a condition of listing, the following securities, which are all the shares then on issue immediately prior to the IPO, are subject to a 24 month escrow period:

Class	Expiry date	Number of shares subject to escrow	Percentage of total shares on issue
Ordinary shares	30 November 2018	6,005,000	20.0

Top 20 Shareholders

The names of the twenty individually largest holders of the Company's quoted shares is as follows:

Registered holder of shares	Number of shares held	% of total shares on issue
RIVERSDALE ROAD SHAREHOLDING COMPANY PTY LTD	5,920,000	19.73
D.W & M.R CLARKE PTY LTD	2,300,000	7.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,561,963	5.21
JT CAMPBELL PROPERTIES PTY LTD	1,000,000	3.33
REDCUE PTY LTD	1,000,000	3.33
KEWRAY PTY LTD	850,000	2.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	600,000	2.00
D.R. DADON HOLDINGS PTY LTD	500,000	1.67
D.W. & M.R. CLARKE PTY LTD	500,000	1.67
TELUNAPA PTY LTD	465,144	1.55
MACLAW NO 544 PTY LTD	400,000	1.33
MARCUS BESEN & EVA BESEN & NAOMI GAYE MILGROM	350,000	1.17
J T CAMPBELL & CO PTY LTD	340,000	1.13
AUSTRALIAN SALES & LEASING PTY LTD	300,000	1.00
MR IVAN HAMILTON TANNER & MRS FELICITY RACHEL AMANDA TANNER	250,000	0.83
KINGSLEY DEVELOPMENTS PTY LTD	250,000	0.83
MR ALNIS ERNST VEDIG & MRS RASMA VEDIG	225,000	0.75
MS HELEN EVELYN KROGER	206,055	0.69
ARREDO PTY LTD	200,000	0.67
CARLIE LOUISE BOAL	200,000	0.67
DONALD LOCCISANO	200,000	0.67
COMPANY LOWEGO PTY LTD	200,000	0.67
Total	17,818,162	59.38

Voting rights

The only class of securities issue by the Company is fully paid ordinary shares. On a show of hands every holder of ordinary shares present at a meeting of the Company, either personally or by duly authorised representative, proxy or attorney, is entitled to one vote, and upon a poll each share is entitled to one vote.

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