

1 February 2019

Mayfield Childcare Limited, Financial Results for the Full Year ended 31 December 2018

Mayfield Childcare Limited (ASX:MFD) is pleased to announce its results for its second full year of trading for the 2018 Calendar Year. Revenue from continuing operations was \$31.5m (up 16.1%), delivering EBITDA of \$5.3m (up 2.7%) and an NPAT of \$3.4m (down 1.2%). Additionally, the business has realised a profit of \$897k from the disposal of centres, resulting in a Statutory NPAT of \$4.3m.

Overall, performance for the Mayfield business, along with the sector as a whole, has been challenging with sector headwinds remaining through 1H18. July 2 saw the introduction of the new Child Care Subsidy and, while not an instant stimulus to the sector, it has brought welcome financial relief to many families which is now translating into increased participation.

While timing of acquisitions was slower than anticipated, the business secured three (3) additional centres, while taking the decision to divest two (2) underperforming centres, resulting in a total portfolio of 20 centres, with the new acquisitions trading above expectation.

With a Day 1 focus on Quality, we have continued to invest in our centre upgrades, educational programs, training and technology, along with expansion of our Field Management function and continued development of our Centre Management Team. This has brought about a significant shift in our National Quality Standard profile, with 85% of our centres rated “Exceeding” or “Meeting”, up from 44%.

Strong operating cash flows continue to underpin the business, with a closing cash position of \$1.8m, while the drop in Net Operating Cashflow reflects our Year 1 income tax obligation of \$1.8m. A further \$10.6m of debt funding was provided by Westpac, taking our group debt facility limit to \$19.1m and facilitating our 2018 acquisitions.

The Board is pleased to announce a fully franked dividend of 8.97cps, payable in March 2019. The Board recommends your consideration of the Dividend Reinvestment Plan (DRP). Shareholders who elect to take shares instead of cash under the DRP will receive shares at a discount of 5% to the VWAP share price over the pricing period.

While it has been a year of challenges and changes, Mayfield has successfully weathered a tough trading environment with solid performance results, delivering attractive earnings and dividends. With a more stable market outlook as cyclical improvements in the sector flow through, Mayfield looks forward to improvements in earnings as it continues to invest in strategic growth opportunities.

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ASX Preliminary Final Report

Year ended 31 December 2018

Lodged with the ASX under Listing Rule 4.3A

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Company details

Name of reporting entity:	Mayfield Childcare Limited (“Mayfield”, “Company”)
ABN:	53 604 970 390
Reporting period:	Year ended 31 December 2018
Previous corresponding reporting period:	Year ended 31 December 2017

Results for announcement to the market

	<i>Movement</i>	<i>%</i>	<i>\$</i>
Revenue from ordinary activities	Up	16.1	31,488,841
Profit after tax attributable to members	Up	25.0	4,274,742
Net Profit for the period attributable to members	Up	25.0	4,274,742

<i>Dividend type</i>	<i>Amount per security (cents)</i>	<i>Franked amount per security (cents)</i>
Final dividend	8.97	8.97
Interim dividend	None	Not applicable

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan (‘DRP’), shareholder participation in which is optional. The Board has determined that the DRP will apply to the final dividend declared today. Shares issued under the DRP in relation to this final dividend will be issued at a 5% discount to the volume weighted average market price for the 15 trading days from 14 February to 6 March 2019 inclusive.

Brief explanation of results

Please refer to the accompanying announcement.

Net tangible assets

	31 Dec 2018 (cents)	31 Dec 2017 (cents)
Net tangible asset backing per ordinary share	(39.08)	(30.49)

Control over other entities

No control was gained or lost over any entity during the reporting period. Refer to Note 8 of the notes to and forming part of the preliminary financial statements for details of childcare centres purchased during the reporting period.

Associates and joint venture entities

The Company has no associates, nor has it formed any joint ventures with any other entity/s during the reporting period.

Compliance statement

This report is based on accounts which are in the process of being audited.

Mayfield Childcare Limited

ABN: 53 604 970 390

Preliminary Financial Report

Year ended 31 December 2018

PRELIMINARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 (unaudited) \$	2017 \$
Revenue from continuing operations	31,488,841	27,117,031
Net profit on disposal of centres	896,708	-
Employees	(19,198,468)	(16,440,238)
Facilities	(4,466,429)	(3,643,065)
Centre operations	(1,814,331)	(1,390,002)
Administration	(704,603)	(424,293)
Acquisition costs	(35,498)	(59,268)
Initial listing costs	-	(27,333)
Depreciation and amortisation	(179,035)	(57,240)
Finance costs	(561,575)	(330,152)
Profit before income tax	5,425,610	4,745,440
Income tax expense	(1,150,868)	(1,326,050)
Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited	4,274,742	3,419,390
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited	4,274,742	3,419,390

	Note	Cents	Cents
Basic earnings per share	9	13.91	11.40
Diluted earnings per share	9	13.91	11.40

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

PRELIMINARY STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	<i>Note</i>	2018 <i>(unaudited)</i> \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,776,803	1,539,166
Trade and other receivables		933,544	764,292
Other		322,066	289,060
Total current assets		<u>3,032,413</u>	<u>2,592,518</u>
Non-current assets			
Plant and equipment	2	1,324,485	451,680
Intangibles	3	38,855,655	32,943,065
Deferred tax		396,063	364,452
Other		-	5,844
Total non-current assets		<u>40,576,203</u>	<u>33,765,041</u>
Total assets		<u>43,608,616</u>	<u>36,357,559</u>
LIABILITIES			
Current liabilities			
Trade and other payables	4	1,317,483	2,427,938
Borrowings	5	17,218	15,295
Current tax liabilities		764,576	1,386,879
Provisions	6	916,479	747,063
Total current liabilities		<u>3,015,756</u>	<u>4,577,175</u>
Non-current liabilities			
Borrowings	5	13,366,586	7,532,018
Provisions	6	75,528	88,110
Total non-current liabilities		<u>13,442,114</u>	<u>7,620,128</u>
Total liabilities		<u>16,457,870</u>	<u>12,197,303</u>
Net assets		<u>27,150,746</u>	<u>24,160,256</u>
EQUITY			
Contributed equity	7	23,000,856	21,989,690
Retained earnings		4,149,890	2,170,566
Total equity		<u>27,150,746</u>	<u>24,160,256</u>

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

PRELIMINARY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share Capital	Retained Earnings	Total
	\$	\$	\$
2017			
Balance as at 1 January 2017	22,028,381	(1,248,824)	20,779,557
Profit after income tax expense for the year	-	3,419,390	3,419,390
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	3,419,390	3,419,390
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity, net of transaction costs	(38,691)	-	(38,691)
Balance as at 31 December 2017	21,989,690	2,170,566	24,160,256
2018 (unaudited)			
Profit after income tax expense for the year	-	4,274,742	4,274,742
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	4,274,742	4,274,742
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity (via DRP), net of transaction costs	1,011,166	-	1,011,166
Dividend paid		(2,295,418)	(2,295,418)
Balance as at 31 December 2018	23,000,856	4,149,890	27,150,746

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

PRELIMINARY STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 <i>(unaudited)</i>	2017
	\$	\$
Cash flows from operating activities		
Receipts from customers, including government funding	31,464,598	26,192,518
Payments to suppliers and employees	(26,261,593)	(21,063,238)
	5,203,005	5,129,280
Other receipts	50,932	15,724
Net interest paid	(523,252)	(329,486)
Income tax paid	(1,782,886)	(49,755)
Net cash inflow from operating activities	2,947,799	4,765,763
Cash flows from investing activities		
Proceeds from disposal of centres, net of costs	1,034,462	-
Payments for purchases of businesses plus associated costs	(7,178,837)	(4,331,214)
Payments for plant and equipment	(1,086,875)	(240,109)
Proceeds from disposal of plant and equipment	8,849	-
Net cash outflow from investing activities	(7,222,401)	(4,571,323)
Cash flows from financing activities		
Proceeds from issue of shares	-	340,000
Proceeds from borrowings	6,800,000	-
Share issue costs	(5,497)	(366,471)
Payment of public company initial listing costs	-	(28,252)
Repayment of borrowings	(963,509)	(11,024)
Payment of borrowing costs	(40,000)	-
Dividend paid	(1,278,755)	-
Net cash inflow/(outflow) from financing activities	4,512,239	(65,747)
Net increase in cash and cash equivalents	237,637	128,693
Cash and cash equivalents at the beginning of the year	1,539,166	1,410,473
Cash and cash equivalents at the end of the year	1,776,803	1,539,166

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS For the year ended 31 December 2018

Note 1. Summary of Significant Accounting Policies

There have been no material changes in the Company's application of its significant accounting policies as presented in the Company's financial statements for the year ended 31 December 2017. Readers of this report should refer to Note 1 Summary of significant accounting policies in the afore-mentioned financial statements for details of those accounting policies.

2018	2017
(unaudited)	
\$	\$

Note 2. Non-current assets – Plant and equipment

Plant and equipment – at cost	1,567,651	523,821
Less: Accumulated depreciation	(243,166)	(72,141)
Net book amount	<u>1,324,485</u>	<u>451,680</u>

Reconciliation

Opening net book amount	451,680	1,160,515
Net additions through business combinations	14,348	30,000
Adjustments from prior period business combinations	(11,637)	(988,903)
Additions	1,086,875	307,308
Disposals	(37,746)	-
Depreciation expense	(179,035)	(57,240)
Balance at end of year	<u>1,324,485</u>	<u>451,680</u>

Note 3. Non-current assets – Intangibles

Goodwill – at cost	<u>38,855,655</u>	<u>32,943,065</u>
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Reconciliation

Balance at beginning of year	32,943,065	27,018,231
Additions through business combinations	6,001,249	5,455,931
Adjustments from prior period business combinations	11,637	988,903
Disposal of centres	(100,926)	-
Additional purchase consideration (earn-out) adjustment	-	(520,000)
Balance at end of year	<u>38,855,655</u>	<u>32,943,065</u>

Note 4. Current liabilities – Trade and other payables

Trade payables	124,188	105,266
Other payables	899,924	2,258,708
Deferred revenue	293,371	63,964
	<u>1,317,483</u>	<u>2,427,938</u>

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 31 December 2018

	<i>2018</i> <i>(unaudited)</i> \$	<i>2017</i> \$
Note 5. Current & Non-current liabilities – Borrowings		
Loans		
Non-current	<u>13,300,000</u>	<u>7,448,214</u>
Finance Leases		
Current	17,218	15,295
Non-current	<u>66,586</u>	<u>83,804</u>
	<u>83,804</u>	<u>99,099</u>
 <i>Reconciliation</i>		
Current Liabilities		
Finance Leases	<u>17,218</u>	<u>15,295</u>
Non-current liabilities		
Loans	13,300,000	7,448,214
Finance Leases	<u>66,586</u>	<u>83,804</u>
	<u>13,366,586</u>	<u>7,532,018</u>
 Financing arrangements		
Bank loans		
The bank loans are secured on the assets and undertakings of the Company.		
Total bank loan facility at reporting date	19,100,000	8,500,000
Less amount used at reporting date	<u>(13,300,000)</u>	<u>(7,448,214)</u>
Unused facility at reporting date	<u>5,800,000</u>	<u>1,051,786</u>

Of the \$5.8 million unused, \$4.1 million is only available for future acquisitions and there are specific criteria which 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 year.

Note 6. Current & Non-current liabilities – Provisions

Provisions for employee benefits: annual and long service leave		
Current	916,479	747,063
Non-current	<u>75,528</u>	<u>88,110</u>
	<u>992,007</u>	<u>835,173</u>

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 31 December 2018

Note 6. Current & Non-current liabilities – Provisions (continued)

Movements in provisions

Movements in each class of provision during the year ended 31 December 2018 were as follows:

	Employee benefits \$
Carrying amount at start of year	835,173
Recognised upon acquisition of childcare businesses	79,622
Charged/(credited) to income statement	
- additional provisions recognized	1,395,587
- unused amounts reversed	-
Amounts used during the year	(1,318,375)
Carrying amount at end of year	992,007

Note 7. Contributed equity

(a) Share capital

The share capital account of Mayfield Childcare Limited (the Company) consists of 30,964,116 fully paid up, ordinary shares as at 31 December 2018.

(b) Movements in ordinary share capital

Movements in the ordinary share capital of the Company during the past two years were as follows:

Date	Details	Number of shares	Amount \$
1 Jan 2017	Opening balance	30,005,000	22,028,381
	Less: Share issue transaction costs, net of tax		(38,691)
31 Dec 2017	Balance	30,005,000	21,989,690
29 March 2018	Issued under Dividend Reinvestment Plan	959,116	1,016,663
	Less: Share issue transaction costs, net of tax		(5,497)
31 Dec 2018	Balance	30,964,116	23,000,856

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS
For the year ended 31 December 2018

Note 8. Business combinations

During the year the Company acquired one childcare centre in June 2018 and two centres in September 2018, for total cash consideration of \$5,957,871. The fair values ascribed to the assets acquired and liabilities assumed are as follows:

	Fair value (unaudited) \$
Plant and equipment	15,000
Deferred tax asset	21,896
Provisions for employee benefits	(79,622)
Goodwill	6,000,597
Acquisition-date fair value of the total consideration transferred	<u>5,957,871</u>
<i>Representing</i>	
Cash paid to vendors (before settlement adjustments)	<u>5,957,871</u>

Note 9. Earnings per share

	2018 (unaudited) Cents	2017 Cents
Basic and diluted earnings/(loss) per share	13.91	11.40
	Number	Number
Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	30,735,505	30,005,000
	\$	\$
Earnings used in calculating basic and diluted earnings per share		
Profit after tax attributable to the ordinary equity holders of the Company	4,274,742	3,419,390

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.

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