

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

	<b>Movement</b>	<b>%</b>	<b>\$</b>
<b>Revenue</b> from ordinary activities	Up	16.1	31,488,841
<b>Profit</b> after tax attributable to members	Up	25.0	4,274,742
<b>Net Profit</b> 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
<b>Dividend reinvestment plan</b>  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***

	<b>31 Dec 2018 (cents)</b>	<b>31 Dec 2017 (cents)</b>
Net tangible asset backing per ordinary share	<b>(39.08)</b>	(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**

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

	<b>Note</b>	<b>Cents</b>	Cents
Basic earnings per share	9	<b>13.91</b>	11.40
Diluted earnings per share	9	<b>13.91</b>	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>	<b>2018</b> <b>(unaudited)</b> \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		<b>1,776,803</b>	1,539,166
Trade and other receivables		<b>933,544</b>	764,292
Other		<b>322,066</b>	289,060
Total current assets		<b>3,032,413</b>	2,592,518
<b>Non-current assets</b>			
Plant and equipment	2	<b>1,324,485</b>	451,680
Intangibles	3	<b>38,855,655</b>	32,943,065
Deferred tax		<b>396,063</b>	364,452
Other		-	5,844
Total non-current assets		<b>40,576,203</b>	33,765,041
<b>Total assets</b>		<b>43,608,616</b>	36,357,559
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	4	<b>1,317,483</b>	2,427,938
Borrowings	5	<b>17,218</b>	15,295
Current tax liabilities		<b>764,576</b>	1,386,879
Provisions	6	<b>916,479</b>	747,063
Total current liabilities		<b>3,015,756</b>	4,577,175
<b>Non-current liabilities</b>			
Borrowings	5	<b>13,366,586</b>	7,532,018
Provisions	6	<b>75,528</b>	88,110
Total non-current liabilities		<b>13,442,114</b>	7,620,128
<b>Total liabilities</b>		<b>16,457,870</b>	12,197,303
<b>Net assets</b>		<b>27,150,746</b>	24,160,256
<b>EQUITY</b>			
Contributed equity	7	<b>23,000,856</b>	21,989,690
Retained earnings		<b>4,149,890</b>	2,170,566
<b>Total equity</b>		<b>27,150,746</b>	24,160,256

*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**

	<b>Share Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>2017</b>			
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
<b>2018 (unaudited)</b>			
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)
<b>Balance as at 31 December 2018</b>	<b>23,000,856</b>	<b>4,149,890</b>	<b>27,150,746</b>

*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**

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

	<b>2018</b> <b>(unaudited)</b> \$	2017 \$
Plant and equipment – at cost	<b>1,567,651</b>	523,821
Less: Accumulated depreciation	<b>(243,166)</b>	(72,141)
Net book amount	<b>1,324,485</b>	451,680

#### Reconciliation

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

#### Note 3. Non-current assets – Intangibles

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

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

#### Note 4. Current liabilities – Trade and other payables

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

## NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

For the year ended 31 December 2018

	2018 (unaudited) \$	2017 \$
<b>Note 5. Current &amp; Non-current liabilities – Borrowings</b>		
<b>Loans</b>		
Non-current	<u>13,300,000</u>	<u>7,448,214</u>
<b>Finance Leases</b>		
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>		
<b>Current Liabilities</b>		
Finance Leases	<u>17,218</u>	<u>15,295</u>
<b>Non-current liabilities</b>		
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)
<b>Carrying amount at end of year</b>	<b>992,007</b>

#### 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)
<b>31 Dec 2018</b>	<b>Balance</b>	<b>30,964,116</b>	<b>23,000,856</b>

## 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:

	<b>Fair value (unaudited) \$</b>
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

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