APPENDIX 4D

Interim financial report

1. Company details

Name of entity	Think Childcare Limited
ABN	81 600 793 388
Reporting period	Half-year ended 30 June 2019
Previous period	Half-year ended 30 June 2018

2. Results for announcement to the market

Key information

	Up/ down	Movement %	$'000
Revenues from ordinary activities	up	40.0%	49,967
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	329.6%	9,855
Profit from ordinary activities after tax attributable to members	down	-155.9%	(405)
Net Profit for the year attributable to members	down	-155.9%	(405)

The financial performance of the Company in respect of the reporting period and as outlined in the above table has been impacted by the first-time adoption of AASB 16 Leases which had a positive impact of $5,915,000 on EBITDA and a negative impact of $1,047,000 on Net Profit for the year attributable to members. EBITDA of $3,940,000 after adjusting for the impact of AASB 16, represents a 71.7% increase on the previous period, and Net Profit for the year attributable to members (NPAT) of $642,000 after adjusting for the impact of AASB 16, represents a decrease of 11.2% from the previous period.

Dividend information

	Amount per share Cents	Franked amount per share Cents	Tax rate for franking credit
Final dividend for the year ended 31 December 2018	6.5	6.5	30%

Interim Dividend Information - current reporting period	
Amount per ordinary share (cents)	2.0 cents
Record date	6 September 2019
Payment date	20 September 2019
Franked amount per share (cents)	2.0 cents

The Loss for the period amounted to $405,000 (30 June 2018: Profit $724,000)

Appendix 4D Interim Financial Report continued

Underlying earnings before interest, taxation, depreciation and amortisation (underlying EBITDA) was $10,246,000 (30 June 2018: $2,594,000). This is calculated as follows:

	30 June 2019 $'000	30 June 2018 $'000
Revenue	49,967	35,679
(Loss) / Profit for the period	(405)	724
Add: Income tax expense	140	379
Add: Depreciation and amortisation expense	4,941	690
Add: Finance costs	5,179	501
EBITDA	9,855	2,294
Non-operating items		
Add: Acquisition and integration expenses	202	300
Add: Loss on closure of services	189	-
Underlying EBITDA	10,246	2,594

EBITDA and underlying EBITDA reflect assessments of the result for the ongoing business of the consolidated entity as determined by the Board and management. They have been calculated in accordance with ASIC's Regulatory Guide 230 – Disclosing non-IFRS financial information. These financial measures have not been audited by our external auditors; however, the adjustments to profit after tax have been extracted from the books and records that have been reviewed. Underlying EBITDA is disclosed as it is useful for investors to gain a better understanding of the Company's financial results from normal operating activities.

3. Net Tangible assets

	30 June 2019 Cents	30 June 2018 Cents
Net tangible assets per ordinary share	(15.60)	(26.33)

4. Control gained or loss over entities

Not applicable

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP'), pursuant to which shareholder participation is optional. Under the DRP, the Board has determined that new shares may be issued at a discount of 5% of the volume weighted average market price for the 10 business days from (and including) 15 August 2019 to 28 August 2019. The last date for the receipt of an electronic notice for participation in the DRP is 17:00 AEST 9 September 2019.

6. Details of associates and joint venture entities

Not applicable

Appendix 4D Interim Financial Report continued

7. Foreign entities

Not applicable

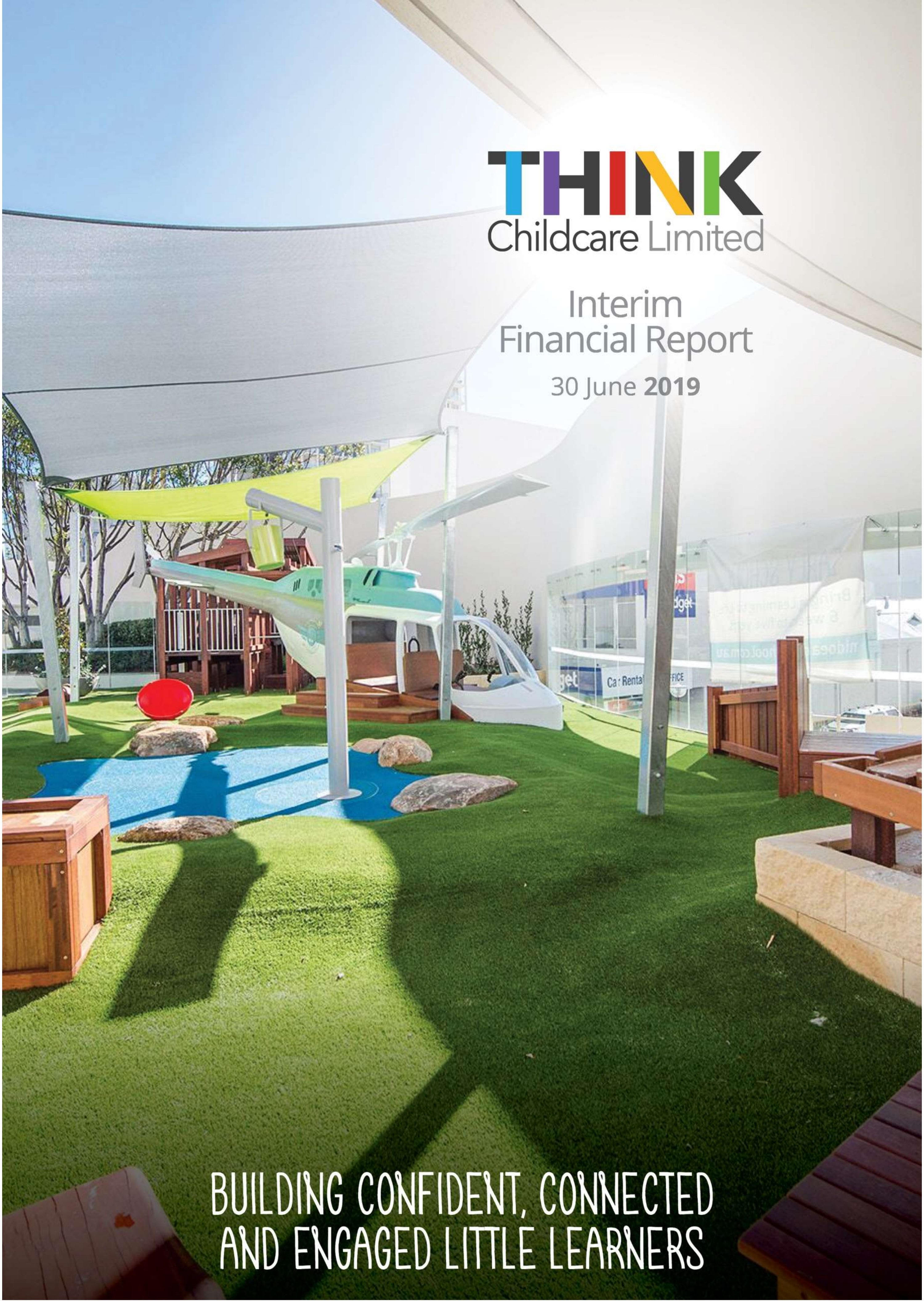
8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the Company's auditors and the review report is attached as part of the Interim Financial Report.

This information should be read in conjunction with the attached Interim Financial Report which contains the Directors' Report, Financial Statements and accompanying notes as at 30 June 2019.

This report is based on the consolidated financial statements for the half year ended 30 June 2019 which have been reviewed by Company's auditors.



THINK Childcare Limited

Interim Financial Report

30 June **2019**

BUILDING CONFIDENT, CONNECTED AND ENGAGED LITTLE LEARNERS

Contents

DIRECTORS' REPORT

The Directors of Think Childcare Limited (referred to hereafter as the Parent Company or Think Childcare) present their report for the half-year ended 30 June 2019 (referred to hereafter as the half-year) accompanied by the Interim Financial Report of Think Childcare and the entities it controlled (together, being the 'Consolidated Entity', referred to hereafter, as the Company) during the year. Pursuant to the requirements of the *Corporations Act 2001 (Cth)* (Corporations Act).

Directors

The Directors of Think Childcare Limited in office during the half-year and at the date of this report (unless otherwise stated) were as follows:

Mark Kerr	Chairman and Non-Executive Director
Mathew Edwards	Managing Director and Chief Executive Officer
Evonne Collier	Non-Executive Director and Chair of Human Resources and Remuneration Committee
Joe Dicks	Non-Executive Director and Chair of Audit, Risk and Compliance Committee

Principal activities

The principal activities of the Company during the financial half-year comprised the following:

- Owning and providing child care services
- Managing child care services on behalf of clients including incubator partners
- Identifying greenfield services and developing these as child care services on balance sheet and on behalf of third-party clients, including incubator partners
- Providing consultancy services to third parties and incubator partners to identify and develop greenfield services with a view of acquiring once target metrics are met

There were no changes in the principal activities of the Company during the financial half-year.

Directors' Report continued

Review and results of operations

Think Childcare operates child care services with the objective of delivering value to shareholders with earnings growth prospects over the medium to long-term.

The Company's strategy is to operate quality child care services under long-term leases in suburban markets. Additionally, the Company provides child care development and management services to clients, including incubator partners.

During the half-year, the Company continued its strategy of selectively acquiring and developing child care services in markets that are under-represented.

This is the first set of the Company's financial statements in which AASB 16 Leases has been applied. Under the transition method chosen, comparative information has not been restated. The 30 June 2019 half-year results are therefore not directly comparable to prior periods. Changes to significant accounting policies and the impact of applying the new standard is described in Note 2 of the condensed consolidated interim financial statements.

Think Childcare recorded a net loss after tax of $405,000 (30 June 2018: profit of $724,000) and underlying earnings before interest, tax, depreciation and amortisation (underlying EBITDA) of $10.2 million (30 June 2018: $2.6 million).

	CONSOLIDATED	
	30 June 2019 $'000	30 June 2018 $'000
Revenue	**49,967**	**35,679**
(Loss) / Profit after income tax	(405)	724
Add: Income tax expense	140	379
Add: Depreciation and amortisation	4,941	690
Add: Finance costs	5,179	501
EBITDA	**9,855**	**2,294**
Non-operating items:		
Add: Acquisition and integration expenses	202	300
Add: Loss on closure of services	189	-
Underlying EBITDA	**10,246**	**2,594**

EBITDA and underlying EBITDA reflect assessments of the result for the ongoing business of the consolidated entity as determined by the Board and management. They have been calculated in accordance with ASIC's Regulatory Guide 230 – Disclosing non-IFRS financial information. These financial measures have not been audited by our external auditors; however, the adjustments to net profit after tax have been extracted from the books and records that have been reviewed. Underlying EBITDA is disclosed as it is useful for investors to gain a better understanding of Think's financial results from normal operating activities.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the half-year except the following:

Related party transactions

In addition to the related party transactions disclosed in the annual report for the year ended 31 December 2018, the Company has entered into the following transaction with Key Management Personnel:

The Company provides establishment services (and will provide management services, once services are established) to a child care service incubator partner entity in which, Mathew Edwards (Managing Director) is a director and shareholder. In consideration for the services provided by the Company to the incubator partner entity, the Company is paid fees in accordance with the agreed terms of engagement and management services. During the period, the Company has recognised from the incubator partner entity $695,000 in Establishment fees.

Matters subsequent to the end of the financial half-year

Think Childcare has entered into a Scheme Implementation Deed with Think Childcare Development Ltd ACN 635 178 166 (TND), an entity that is currently wholly owned by Think Childcare, under which it is proposed that Think Childcare and TND will create a stapled structure which is expected among other things to reduce Think Childcare's reliance on third party incubator providers for the purposes of Think Childcare's development pipeline by bringing the development and incubation function of new and trade-up leasehold child care services under TND. A copy of the redacted Scheme Implementation Deed was released to the ASX with the announcement of the Scheme Implementation Deed on 14 August 2019.

Other than the above and the dividend determination of $1.21m as disclosed in note 13, no other matter or circumstance has arisen since 30 June 2019 and up to the date of this report 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 financial periods.

Rounding of amounts

The Company is of a kind referred to in the Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of this directors' report for the half-year ended 30 June 2019.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Mark Kerr

Mark Kerr
Chairman
14 August 2019 | Melbourne

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Think Childcare Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Think Childcare Limited for the half-year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Paul Thomas

Partner

Sydney

14 August 2019


RAMEN KEISUKE TONKOTSU KING

Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Revenue	4	49,967	35,679
Expenses			
Employee benefit expense		32,730	23,774
Occupancy expense		2,006	5,694
Direct expenses of providing services		1,740	1,345
Marketing expense		592	474
Corporate expense		442	361
Information and communication expense		731	374
Share-based payment expense / (benefit)		70	(26)
Acquisition and integration expense		202	300
Other expense		1,599	1,089
Depreciation and amortisation expense		4,941	690
Finance cost		5,179	501
(Loss) / Profit before tax		(265)	1,103
Income tax expense	5	140	379
(Loss) / Profit for the period		(405)	724
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss) / income for the period		(405)	724
Attributable to:			
Equity holders of Think Childcare Limited		(405)	724

		Cents	Cents
Basic earnings per share	18	(0.74)	1.57
Diluted earnings per share	18	(0.74)	1.56

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

Condensed consolidated statement of financial position

As at 30 June 2019

	Note	30 June 2019 $'000	31 December 2018 $'000
Assets			
Current Assets			
Cash and cash equivalents		9,149	3,560
Trade and other receivables	6	5,851	3,165
Other current assets	6	395	1,129
Total current assets		15,395	7,854
Non-current assets			
Property, plant and equipment	7	133,763	10,961
Intangible assets	8	63,124	57,276
Deferred tax assets		2,631	1,898
Other receivables		30	26
Total non-current assets		199,548	70,161
Total assets		214,943	78,015
Liabilities			
Current liabilities			
Trade and other payables	9	6,531	6,913
Borrowings	11	12,272	182
Current tax liabilities		52	386
Employee benefits		3,976	3,257
Other current liabilities	10	1,710	1,238
Total current liabilities		24,541	11,976
Non-current liabilities			
Borrowings	11	135,244	26,151
Derivative financial instruments		806	300
Employee benefits		643	919
Other non-current liabilities		20	39
Total non-current liabilities		136,713	27,409
Total liabilities		161,254	39,385
Net assets		53,689	38,630
Equity			
Issued capital	12	72,323	53,779
Reserves		(18,901)	(18,971)
Retained earnings		267	3,822
Total equity		53,689	38,630

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

Condensed consolidated statement of changes in equity

For the half year ended 30 June 2019

	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2018	42,532	(18,946)	1,469	25,055
Adjustments for AASB 15 and AASB 9	-	-	(33)	(33)
	42,532	(18,946)	1,436	25,022
Profit for the period	-	-	724	724
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	724	724
Contributions of equity, net of transaction costs	11,079	-	-	11,079
Share-based payments	-	(26)	-	(26)
Dividends paid	-	-	(2,564)	(2,564)
Total contributions and distributions	11,079	(26)	(2,564)	8,489
Balance at 30 June 2018	**53,611**	**(18,972)**	**(404)**	**34,235**

	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2019	53,779	(18,971)	3,822	38,630
Loss for the period	-	-	(405)	(405)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(405)	(405)
Contributions of equity, net of transaction costs	18,544	-	-	18,544
Share-based payments	-	70	-	70
Dividends paid	-	-	(3,150)	(3,150)
Total contributions and distributions	18,544	70	(3,150)	15,464
Balance at 30 June 2019	**72,323**	**(18,901)**	**267**	**53,689**

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

Condensed consolidated statement of cash flow

For the half year ended 30 June 2019

	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities		
Receipts from parents and government funding	46,440	34,778
Payments to suppliers and employees	(44,447)	(33,683)
	1,993	1,095
Government grants received	841	871
Interest and other finance costs paid	(530)	(501)
Income taxes paid	(953)	(833)
Net cash from operating activities	1,351	632
Cash flows from investing activities		
Payments for acquisition of business	(6,379)	(3,209)
Payments for property, plant and equipment	(3,684)	(2,531)
Payments for intangibles	(5)	(2)
Payments for security deposits	(4)	-
Payments for contingent and deferred consideration	(1,084)	(800)
Net cash used in investing activities	(11,156)	(6,542)
Cash flows from financing activities		
Proceeds from issue of shares (net of transaction costs)	17,617	10,044
Proceeds from borrowings	-	969
Dividends paid	(2,223)	(1,663)
Net cash from financing activities	15,394	9,350
Net increase in cash and cash equivalents	5,589	3,440
Cash and cash equivalents at the beginning of the period	3,560	451
Cash and cash equivalents at the end of the period	9,149	3,891

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

Notes to the condensed consolidated interim financial statements

Note 1. General information

These condensed consolidated interim financial statements cover Think Childcare Limited as a consolidated entity consisting of Think Childcare Limited and the entities it controlled at the end of, or during, the period (together, hereafter referred to as the Company). The condensed financial statements are presented in Australian dollars, which is Think Childcare Limited's functional and presentation currency.

Think Childcare Limited is a listed public Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3, 1 Park Avenue
Drummoyne, NSW 2047

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 14 August 2019. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

Statement of compliance

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. This financial report does not include all of the notes normally included within the annual financial report and should be read in conjunction with the 31 December 2018 annual report of Think Childcare Limited.

Basis of preparation

This half-year financial report has been prepared on the basis of historical cost, except for the fair value of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These accounting policies are consistent with the Australian Accounting Standards and with the International Financial Reporting Standards.

Changes in significant accounting policies

1. Leases

The Company has initially adopted AASB 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

Notes to the condensed consolidated interim financial statements continued

Note 2. Significant accounting policies continued

A. Definition of lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

B. As a lessee

The Company mainly leases properties for child care services. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’, the same line item as it presents underlying assets of the same nature that it owns. The Company does not have any right-of-use assets that meet the definition of investment property.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Notes to the condensed consolidated interim financial statements continued

Note 2. Significant accounting policies continued

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Previously, the Company classified property leases as operating leases under AASB 117. These include child care facilities.The leases typically run for a period of 10-20 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all leases.

The Company used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company leases a number of Motor Vehicles. These leases were classified as finance leases under AASB 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

C. Impact on financial statements

i. Impact on transition

On transition to AASB 16, the Company recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	1 January 2019 $'000
Right-of-use assets	115,954
Lease Liability	115,954

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The discount rate applied ranged between 5.2% to 6.29%.

Operating lease commitment as at 31 December 2018 as disclosed in annual report	141,700
Discount using the incremental borrowing rate at 1 January 2019	(56,356)
Finance lease liabilities recognised as at 31 December 2018	170
Recognition exemption for leases of low-value assets	-
Recognition exemption for leases with less than 12 months of lease term at transition	(406)
Extension options reasonably certain to be exercised	30,846
Lease liabilities recognised at 1 January 2019	115,954

Notes to the condensed consolidated interim financial statements continued

Note 2. Significant accounting policies continued

ii. Impact for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Company recognised $119,695 thousand of right-of-use assets and $121,149 thousand of lease liabilities as at 30 June 2019.

Also in relation to those leases under AASB 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised $4,024 thousand of depreciation charges and $3,421 thousand of interest costs from these leases.

2. Net Current Liability Position

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Company has made a loss after tax of $405,000 and is in a net current liability position of $9,146,000. The directors of the Company believe that preparation of financial statements on a going concern basis is appropriate as the company generates positive operating cash flows, is forecasting to be profitable and additionally has access to unused financing facilities of $42.5m ($20m restricted for acquisitions, $20m Accordion Facility and $2.5m for working capital) at the end of the reporting period.

3. Comparatives

Where necessary, comparative amounts have been reclassified and repositioned for consistency with the current period disclosures.

4. Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to ‘rounding-off’. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Operating segments

Identification of reportable operating segments

The Company operates in one segment being a child care services provider. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Maker (CODM)) in assessing performance and in determining the allocation of resources.

The Company operates in one geographical region being Australia.

The operating segment information is the same information as provided throughout these financial statements and therefore not duplicated.

Major customers

During the period ended 30 June 2019, none of the Company’s external revenue was derived from sales to one specific customer or Company of customers that derived more than 10% of total revenue (2018: Nil).

Notes to the condensed consolidated interim financial statements continued

Note 4. Revenue

	30 June 2019 $'000	30 June 2018 $'000
Sales revenue		
Provision of childcare services	47,115	33,099
Management fees	723	759
Establishment and Licence fees	1,288	950
Other revenue		
Government grants	841	871
Revenue	49,967	35,679

Note 5. Income tax expense

	30 June 2019 $'000	30 June 2018 $'000
Income tax expense		
Current tax	461	296
Deferred tax - origination and reversal of temporary differences	(547)	55
Adjustment recognised for prior periods	226	28
Aggregate income tax expense	140	379
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	991	63
Increase in deferred tax liabilities	258	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
(Loss) / Profit before income tax expense	(265)	1,103
Tax at the statutory tax rate of 30%	(80)	331
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other income not included in assessable income	(67)	-
Acquisition and integration expenses	61	20
	(86)	351
Adjustment recognised for prior periods	226	28
Income tax expense	140	379

	30 June 2019 $'000	30 June 2018 $'000
Amounts charged directly to equity		
Deferred tax assets	223	134

Notes to the condensed consolidated interim financial statements continued

Note 6. Current assets - trade receivables and other

	30 June 2019 $'000	31 December 2018 $'000
Trade receivables	1,797	1,814
Less: Provision for impairment of receivables	(288)	(307)
Other receivables	4,342	1,658
	5,851	3,165
Other current assets	395	1,129

Note 7. Non-current assets - property, plant and equipment

	30 June 2019 $'000	31 December 2018 $'000
Plant and equipment - at cost	12,798	9,733
Less: Accumulated depreciation	(3,256)	(2,689)
	9,542	7,044
Leasehold improvements - at cost	2,992	2,440
Less: Accumulated depreciation	(617)	(530)
	2,375	1,910
Motor vehicles - at cost	-	336
Less: Accumulated depreciation	-	(151)
	-	185
Computer equipment - at cost	755	590
Less: Accumulated depreciation	(249)	(176)
	506	414
Right of Use Asset (ROU)	123,870	-
Accumulated Depreciation (ROU)	(4,175)	-
	119,695	-
Construction in progress	1,645	1,408
	133,763	10,961

Notes to the condensed consolidated interim financial statements continued

Note 7. Non-current assets - property, plant and equipment continued

Reconciliations

Reconciliations of the written down values at the beginning and end of the period are set out below:

	Plant and equipment $'000	Leasehold Improve-ments $'000	Computer equipment $'000	Right of Use Asset $'000	Construction in progress $'000	Total $'000
Balance at 1 January 2019	7,044	1,910	414	115,954	1,408	126,730
Additions	1,496	243	109	7,765	1,836	11,449
Additions - through business combination	494	142	49	-	-	685
Transfers	1,363	227	9	-	(1,599)	-
Disposals	(159)	(27)	-	-	-	(186)
Depreciation Expense	(696)	(120)	(75)	(4,024)	-	(4,915)
Balance at 30 June 2019	9,542	2,375	506	119,695	1,645	133,763

Note 8. Non-current assets - intangible assets

	30 June 2019 $'000	31 December 2018 $'000
Goodwill - at cost	63,030	57,161
Software - at cost	227	222
Less: Accumulated amortisation	(133)	(107)
	94	115
	63,124	57,276

Reconciliations

Reconciliations of the written down values at the beginning and end of the period are set out below:

	Goodwill $'000	Software $'000	Total $'000
Balance at 1 January 2019	57,161	115	57,276
Additions /adjustments on finalisation of acquisition accounting	(1,463)	5	(1,458)
Additions - business combination	7,332	-	7,332
Amortisation expense	-	(26)	(26)
Balance at 30 June 2019	63,030	94	63,124

Notes to the condensed consolidated interim financial statements continued

Note 9. Current liabilities - trade and other payables

	30 June 2019 $'000	31 December 2018 $'000
Trade payables	1,501	2,432
Centre enrolment advances	120	298
Employee related payables	3,241	3,361
Other payables	1,669	822
	6,531	6,913

Note 10. Current liabilities - other

	30 June 2019 $'000	31 December 2018 $'000
Unearned revenue relating to licence fees	107	169
Contingent consideration	1,603	1,069
	1,710	1,238

The Company includes the fair value of contingent consideration liability for the acquisition of businesses where it expects the earn-out target to be met during the measurement period. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement.

Refer to note 16 for further details on business combinations.

Note 11. Borrowings

	30 June 2019 $'000	31 December 2018 $'000
Current		
Lease Liability	12,272	182
	12,272	182
Non-Current		
Bank loans	26,367	26,151
Lease Liability	108,877	-
	135,244	26,151
	147,516	26,333

The unused portion of the $58m combined Syndicated Debt Facility is $22.5m plus an accordion of $20m. The interest rate payable on each loan is based on the base rate (BBSW) plus the lender's margin. Maturity date of the facility is June 2023. The Company has complied with all covenants.

Notes to the condensed consolidated interim financial statements continued

Note 12. Equity - issued capital

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	60,474,763	48,467,659	72,323	53,779

Movements in ordinary share capital

Details	Number of Shares	Issue Price	$'000
Opening balance	48,467,659		53,779
Issue of shares under Dividend Reinvestment Plan	527,990	$1.76	927
Issue of shares through capital raising	11,479,114	$1.58	18,137
Transaction cost (net of Tax)			(520)
Closing balance	60,474,763		72,323

Note 13. Equity - dividends

Dividends paid during the period:

	30 June 2019 $'000	30 June 2018 $'000
Final dividend for the year ended 31 December 2018 of 6.5 cents (2017: 6 cents) per ordinary share	3,150	2,564
	3,150	2,564

On 14 August 2019, an interim dividend of 2 cents per ordinary share, fully franked, was determined, with a record date of 6 September 2019. The dividend will be paid on 20 September 2019 and is estimated to be a total of $1.21m.

Notes to the condensed consolidated interim financial statements continued

Note 14. Fair value measurement

The following tables detail the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	1,603	1,603
Derivative financial instruments	-	806	-	806
Total liabilities	-	806	1,603	2,409

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	1,069	1,069
Derivative financial instruments	-	300	-	300
Total liabilities	-	300	1,069	1,369

There were no transfers between levels during the financial year.

The contingent consideration arising from business combinations (refer to note 16) is based on an estimate of amounts expected to be paid representing future profits over and above the threshold set out in the business acquisition agreement. The amount is capped at $1,618,000 and the full amount has been provided for based on the budgeted estimates as at 30 June 2019.

The carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments. The fair values of financial assets and financial liabilities are classified as level 3 fair values due to the significant unobservable inputs used in their valuation, including counter-party and own credit risk.

Notes to the condensed consolidated interim financial statements continued

Note 14. Fair value measurement (continued)

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Contingent consideration $'000	Total $'000
Balance at 1 January 2019	1,069	1,069
Amount paid / settlement against receivables	(1,084)	(1,084)
Additions through business combination	1,618	1,618
Balance at 30 June 2019	1,603	1,603

Notes to the condensed consolidated interim financial statements continued

Note 15. Contingent liabilities

As at 30 June 2019, the Company has given bank guarantees of $7,485,334 (31 December 2018: $6,627,533) to lessors in relation to property leases on a number of childcare facilities.

The Company has entered into put options that will obligate the Company to acquire child care services from its incubator partner, EDHOD group, subject to those services meeting stringent financial and non-financial conditions.

Note 16. Business combinations

Acquisitions during the period

The Company acquired four child care services during the period for a total consideration of $7,997,000. The goodwill of $7,332,000 represents the value attributed to assembled workforces and management teams within the acquirees, expected synergies from combining the operations, and other non-recognisable intangible assets. The acquisitions are provisional at 30 June 2019.

Details of the acquisitions are as follows:

	Fair Value $'000
Current assets	13
Property, plant and equipment	685
Deferred tax asset	9
Employee benefits	(42)
Net assets acquired	665
Goodwill	7,332
Acquisition-date fair value of the total consideration transferred	7,997
Representing:	
Cash paid to vendors	6,379
Contingent Consideration	1,618
	7,997

Note 17. Related party transactions

Transactions with Key Management Personnel

In addition to the related party transactions disclosed in the annual report for the year ended 31 December 2018, the Company has entered into the following transaction with Key Management Personnel:

The Company provides establishment services (and will provide management services, once services are established) to a child care service incubator partner entity in which, Mathew Edwards (Managing Director) is a director and shareholder. In consideration for the services provided by the Company to the incubator partner entity, the Company is paid fees in accordance with the agreed terms of engagement and management services.

During the period, the Company has recognised from the incubator partner entity $695,000 in Establishment fees.

Notes to the condensed consolidated interim financial statements continued

Note 18. Earnings per share

	30 June 2019 $'000	30 June 2018 $'000
(Loss) / Profit for the period attributable to equity holders of Think Childcare Limited	(405)	724

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	54,706,310	46,146,233
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	123,525	227,678
Weighted average number of ordinary shares used in calculating diluted earnings per share	54,829,835	46,373,911

	CENTS	CENTS
Basic earnings per share	(0.74)	1.57
Diluted earnings per share	(0.74)	1.56

Note 19. Events after the reporting period

Think Childcare has entered into a Scheme Implementation Deed with Think Childcare Development Ltd ACN 635 178 166 (TND), an entity that is currently wholly owned by Think Childcare, under which it is proposed that Think Childcare and TND will create a stapled structure which is expected among other things to reduce Think Childcare' reliance on third party incubator providers for the purposes of Think Childcare's development pipeline by bringing the development and incubation function of new and trade-up leasehold child care services under TND. A copy of the redacted Scheme Implementation Deed was released to the ASX with the announcement of the Scheme Implementation Deed on 14 August 2019.

Other than the above and dividend determination in note 13, no other matter or circumstance has arisen since 30 June 2019 and up to the date of this report 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 financial periods.

Directors' declaration

In the Directors' opinion:

(a) the condensed consolidated financial statements and notes set out on pages 6 to 22, are in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance, for the six-month period ended on that date; and
- Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; 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.

Signed in accordance with a resolution of the Directors

Mark Kerr
Chairman
14 August 2019 | Melbourne

Independent Auditor's Review Report

To the shareholders of Think Childcare Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Think Childcare Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Think Childcare Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Think Childcare Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Think Childcare Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Paul Thomas

Paul Thomas

Partner

Sydney

14 August 2019

THINK
Childcare Limited

Suite 3, 1 Park Avenue Drummoyne NSW 2047
PO Box 465 Drummoyne NSW 1470

Telephone 02 9712 7444
Investor Relations IR@thinkchildcare.com.au
Public Relations PR@thinkchildcare.com.au