

2023
Half-year Report

A photograph of a woman with long brown hair, wearing a dark blue turtleneck and a denim apron, sitting in a wooden chair. She is holding a baby who is wearing a purple and pink patterned onesie. The woman is smiling and looking at the baby, who is holding a yellow toy. The background is a blurred indoor setting with wooden railings.

mayfield

ASX Half-year Report

Period ended 30 June 2023

Lodged with the ASX under Listing Rule 4.2A.3

Company details

Name of reporting entity:	The Mayfield Group comprises Mayfield Childcare Limited (ABN: 53 604 970 390) and its fully owned subsidiary Genius Education Pty Ltd (ABN: 39 653 437 935).
ASX Code:	MFD
Reporting period:	Half-year ended 30 June 2023
Previous corresponding reporting period (pcp):	Half-year ended 30 June 2022

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Results for announcement to the market

	<i>Movement</i>	<i>%</i>		<i>\$</i>
Revenue from ordinary activities	Up	12.3	to	36,322,864
Profit/(loss) from ordinary activities after tax attributable to members	Down	151.1	to	(1,212,208)
Net Profit for the period attributable to members	Down	151.1	to	(1,212,208)

Dividend type	Amount per security (cents)	Franked amount per security (cents)
Final dividend for the year ended 31 December 2022	4.38	4.38
Interim dividend for the half-year ended 30 June 2023	Nil	Nil

The Company has a Dividend Reinvestment Plan (DRP), shareholder participation in which is optional.

On 21 April 2023 the Company paid a cash dividend for the year ended 31 December 2022 of \$2,860,698. The Company did not offer its DRP in relation to the dividend.

The Company has not declared an interim dividend for the half-year ended 30 June 2023.

Brief explanation of Revenue

Revenues of \$36.3 million were up 12.3% on pcp driven by an increase in occupancy growth and family utilisation, and the contribution of new centre acquisitions in the current period.

Brief explanation of Profit (and Net Profit)

The loss for the Consolidated Entity after providing for income tax amounted to (\$1.2 million). Further details of the results for the period can be found in the 'Review of operations' section of the Directors' report in the attached interim half-year financial report.

Net tangible assets

	30 June 2023 (cents)	30 June 2022 (cents)
Net tangible asset backing per ordinary share ¹	(233.84)	(224.08)

1. Right-of-use assets are excluded from, whilst lease liabilities are included in, the calculation of net tangible asset (NTA) backing per ordinary share. Underlying (pre-AASB 16 Leases) NTA is (14.1 cents) (30 Jun 2022: (6.91 cents)).

Control over other entities

No control was gained or lost over any entity during the reporting period.

Associates and joint venture entities

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

Compliance statement

This report is based on accounts which were subject to review by the auditor, whose review report is attached to, and forms part of, the Interim Report.

Interim Report

for the Half-year ended 30 June 2023



Directors' Report

Your directors present their report on the consolidated entity (referred hereafter as the 'Group') consisting of Mayfield Childcare Limited ('Mayfield' or 'Company') and the entity it controlled for the half-year ended 30 June 2023.

Directors

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

- David Niall, Chairman and Non-Executive Director
- Ashok Naveinthiran, Executive Director & CEO
- Lubna Matta, Non-Executive Director (*resigned with effect 30 September 2023*)

Principal activities

During the half-year the principal activity of the Group consisted of operating long day childcare (LDC) centres located in Victoria, Queensland and South Australia.

Dividends

On 21 April 2023 the Company paid a cash dividend for the year ended 31 December 2022 of 4.38 cents per ordinary share, fully franked, totalling \$2,860,698. The Company did not offer its Dividend Reinvestment Plan (DRP) in relation to the dividend.

Following a review of the operations of the Company over the recent period, no dividends were recommended, declared or paid for the half-year ended 30 June 2023 and to the date of this report.

Review of operations

Childcare Revenue for the consolidated Group increased 14.9% to \$35.7 million, driven by an increase in occupancy growth and family utilisation, and the contribution of new centre acquisitions. The Company's topline performance underscores its continued commitment to delivering quality services to the families and children in its care, and the robust fundamentals of the business.

The Company was pleased to announce 3 centre acquisitions completed in the first half, all of which continued to perform strongly, reflecting the strength of management's revised acquisition approach and the quality of centres being identified for acquisition. The Company has also executed agreements to acquire a centre in Enoggera (QLD) from Genius Learning Pty Ltd. The acquisition strategically expands Mayfield's presence along the east coast of Queensland into a major city.

The Company successfully rebranded 14 centres to the Mayfield Early Education identity. With the Company's strategic focus on a consolidated single brand, it has terminated the Genius IP Agreement which will result in significant savings in future years. The rebrand of the remaining Mayfield portfolio is underway and expected to be completed by Q1 2024.

The prior period issues and investigation announced earlier this year resulted in the Board and management having to take the following decisive action and remediation steps, including:

1. Internal investigation and litigation to recover expenses;
2. Centre remediation and reinvestment;
3. Strategic portfolio review and optimisation;
4. Compliance review;
5. Management restructuring; and
6. Governance review.

While one-time expenses are reflected within the financial performance for this period, they underscore the Company's dedication to laying a solid and transparent foundation for sustainable growth.

Review of operations (cont.)

The following tables summarise the key financial metrics for the half-year ended 30 June 2023:

	Group Half-year 2023 \$'000	Group Half-year 2022 (restated) \$'000	Change \$'000
Childcare Revenue	35,654	31,040	4,614
Other Income	669	1,347	(678)
Revenue & other income	36,323	32,387	3,936
EBITDA	5,571	9,558	(3,987)
Reversing AASB 16 impact	(4,723)	(4,387)	(336)
EBITDA adjusted for AASB 16 Leases¹	848	5,171	4,323
Insurance and other income ³	(669)	(1,314)	645
Genius Transitional Management Benefit ⁴	-	(642)	642
Investigation related costs ⁵	606	-	606
Remediation costs ⁶	1,253	-	1,253
IP Agreement & Branding ⁷	234	-	234
Head office staff & related costs	1,312	920	392
Other corporate overheads	960	803	157
Underlying Centre EBITDA	4,544	4,938	(394)

After reversing the property leases impact of AASB 16 Leases², 'adjusted' NPAT from Continuing Operations was down 103.2% on the previous corresponding reporting period as follows:

NPAT Adjusted for AASB 16	Statutory Half-year 2023 \$'000	Reversing AASB 16 Impact \$'000	Adjusted for AASB 16 Half-year 2023 \$'000	Adjusted Half-year 2022 (restated) \$'000
EBITDA	5,571	(4,723)	848	5,171
Depreciation	(5,256)	4,658	(598)	(512)
EBIT	315	(65)	250	4,659
Finance costs	(2,033)	1,637	(396)	(195)
Tax	505	(472)	34	(987)
NPAT from Continuing Operations	(1,212)	1,100	(112)	3,477
Net loss on disposal of centre	-	-	-	(54)
NPAT	(1,212)	1,100	(112)	3,423

- Adjusted, NPAT, NPAT from Continuing Operations, EBITDA, EBIT, and Underlying Centre EBITDA are non-statutory financial concepts and measures which are not prescribed by Australian Accounting Standards (AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.
- For an explanation of AASB 16 Leases please refer to Note 1. Summary of significant accounting policies on page 26 of the Annual Report for the year ended 31 December 2022.
- Income generated through non-Long Day Care related activities and insurance payments received in relation to a damaged centre.
- Benefit received from Genius Learning through the Transitional Services Agreement (terminated in 2H22) and IP Agreement (terminated in 1H23).
- Costs relating to the investigation of prior period misappropriation and misallocations by a former Executive / Director as announced to the market in February 2023.
- Expenses incurred in this period to rectify prior period issues including additional resourcing and repairs & maintenance work at numerous centres.
- Fees associated to IP Agreement (terminated in 1H23) and one-time rebranding costs.

Review of operations (cont.)

After reversing the property leases impact of AASB 16 Leases, 'adjusted' Earnings Per Share¹ (EPS) from Continuing Operations was down 5.62 cents per share or 103.1% as follows:

Underlying EPS	Statutory Half-year 2023 Cents	Reversing AASB 16 Impact Cents	Adjusted Half-year 2023 Cents	Adjusted Half-year 2022 Cents (restated)
Basic and diluted earnings per share	(1.86)	1.69	(0.17)	5.45
	\$	\$	\$	\$
Earnings used in calculating EPS				
NPAT from Continuing Operations	(1,212,208)	1,100,210	(111,998)	3,477,205
	Number	Number	Number	Number
Weighted average number of shares	65,312,704	65,312,704	65,312,704	63,785,422

1. Adjusted EPS and NPAT from Continuing Operations are non-statutory financial measures which are not prescribed by Australian Accounting Standards (AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company that occurred during the half-year not otherwise disclosed in this report or in the accompanying financial statements.

Matters subsequent to the end of the half-year

Other than as disclosed in Note 13, no other matter or circumstance has arisen since 30 June 2023 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 continue to execute its business plan, in line with its strategic objectives, as outlined in its 2022 Annual Report. Future growth is expected to come through the continued improvement of existing centres and the acquisition of new, long day childcare centres.

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 7.

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

David Niall

David Niall
Chairman

Melbourne
31 August 2023

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

In relation to our review of the financial report of Mayfield Childcare Limited for the half-year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.

This declaration is made in respect of Mayfield Childcare Limited and the entities it controlled during the financial period.



PKF

Melbourne, 31 August 2023



Kaitlynn Brady

Partner

Interim Financial Report

For the half-year ended 30 June 2023

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This interim financial report is for the consolidated entity consisting of Mayfield Childcare Limited ('Mayfield' or 'Company') and its subsidiary.

The financial statements are presented in Australian dollars, which is the Group'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 (ASX) since 30 November 2016. Its registered office and principal place of business is:

Suite 2, Ground Floor
207-213 Waverley Road
Malvern East VIC 3145

A description of the nature of the Group'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 31 August 2023. The directors have the power to amend and to reissue the financial report.

A copy of this financial report may be obtained from the websites of either the ASX (asx.com.au) or Mayfield Childcare Limited (mayfieldchildcare.com.au).

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2023

	Note	Half-year 2023 \$	Half-year 2022 Restated \$
Revenue	4	36,322,864	32,386,841
Net loss on disposal of centre		-	(53,511)
Employee costs		(22,880,595)	(19,000,168)
Centre operations costs		(4,108,268)	(1,933,044)
Facilities costs		(2,354,612)	(1,282,701)
Administration costs		(1,406,316)	(613,000)
Bad debts written off		(2,010)	-
Depreciation and amortisation of plant and equipment	5	(598,070)	(512,955)
Depreciation charge on right-of-use assets	8	(4,657,843)	(4,427,769)
Finance costs		(2,032,573)	(1,656,170)
(Loss) / Profit before income tax		(1,717,423)	2,907,523
Income tax benefit / (expense)		505,215	(535,612)
(Loss) / Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited		(1,212,208)	2,371,911
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited		(1,212,208)	2,371,911

	Note	Cents	Cents
Basic and diluted earnings per share	14	(1.86)	3.72

Consolidated statement of financial position as at 30 June 2023

	Note	30 June 2023 \$	31 December 2022 \$
Assets			
Current assets			
Cash and cash equivalents		347,284	2,656,793
Trade and other receivables		4,795,740	3,980,931
Current tax receivable		965,321	-
Prepayments		444,138	596,983
Total current assets		6,552,483	7,234,707
Non-current assets			
Plant and equipment	5	4,537,449	3,856,989
Intangibles	6	78,560,950	74,110,630
Right-of-use assets	8	136,593,428	131,410,100
Security deposit		4,500	-
Deferred tax		3,176,106	2,607,662
Total non-current assets		222,872,433	211,985,381
Total assets		229,424,916	219,220,088
Liabilities			
Current liabilities			
Trade and other payables		4,540,025	4,729,031
Contract liabilities		1,027,914	812,450
Borrowings	7	-	-
Leases	8	10,314,656	6,353,786
Current tax liabilities		-	367,931
Provisions		2,680,492	2,433,596
Total current liabilities		18,563,087	14,696,794
Non-current liabilities			
Borrowings	7	11,936,600	4,326,600
Leases	8	133,206,062	130,411,873
Provisions		113,387	106,135
Total non-current liabilities		145,256,049	134,844,608
Total liabilities		163,819,136	149,541,402
Net assets		65,605,780	69,678,686
Equity			
Contributed equity		60,618,740	60,618,740
Retained earnings		4,987,040	9,059,946
Total equity		65,605,780	69,678,686

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

Consolidated statement of changes in equity for the half-year ended 30 June 2023

	Share Capital \$	Retained Earnings \$	Total \$
Balance as at 1 January 2022 (as previously reported)	58,469,660	7,135,925	65,605,585
Correction of prior period errors (Note 3)	-	87,067	87,067
Balance as at 1 January 2022 (restated)	58,469,660	7,222,992	65,692,652
Profit after income tax expense for the year (as previously reported)	-	2,431,345	2,431,345
Correction of errors (Note 3)	-	(59,434)	(59,434)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,371,911	2,371,911
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity (via DRP), net of transaction costs	862,198	-	862,198
Dividend paid	-	(1,268,255)	(1,268,255)
Balance as at 30 June 2022 (restated)	59,331,858	8,326,648	67,658,506
Balance as at 1 January 2023	60,618,740	9,059,946	69,678,686
(Loss) after income tax expense for the year	-	(1,212,208)	(1,212,208)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(1,212,208)	(1,212,208)
<i>Transactions with owners in their capacity as owners</i>			
Dividends paid	-	(2,860,698)	(2,860,698)
Balance as at 30 June 2023	60,618,740	4,987,040	65,605,780

Consolidated statement of cash flows for the half-year ended 30 June 2023

	Half-year 2023 \$	Half-year 2022 (restated) \$
Cash flows from operating activities		
Receipts from customers, including government funding	34,920,145	32,087,886
Payments to suppliers and employees	(30,845,682)	(21,800,753)
	4,074,463	10,287,133
Other receipts	1,096,601	355,548
Interest paid on lease liabilities	(1,636,970)	(1,527,010)
Net interest paid on borrowings	(721,248)	(196,470)
Net income tax paid	(1,333,252)	(1,117,226)
Net cash inflow from operating activities	1,479,594	7,801,975
Cash flows from investing activities		
(Payments) for acquired centres / Proceeds from the disposal of centre, net of costs	(4,342,010)	245,520
Payments for plant and equipment	(1,305,371)	(799,661)
Payments for purchases of businesses plus associated costs	-	(59,956)
Proceeds from return of / (payments for) security deposits	(4,500)	-
Proceeds from the disposal of plant and equipment	150	-
Net cash (outflow) from investing activities	(5,651,731)	(614,097)
Cash flows from financing activities		
Proceeds from / (repayment) of borrowings	7,809,440	(3,409,081)
Repayment of lease liabilities	(3,086,114)	(2,826,648)
Dividends paid	(2,860,698)	(401,169)
Share issue costs	-	(40,216)
Net cash inflow / (outflow) from financing activities	1,862,628	(6,677,114)
Net (decrease) / increase in cash and cash equivalents	(2,309,509)	510,764
Cash and cash equivalents at the beginning of the year	2,656,793	2,265,096
Cash and cash equivalents at the end of the year	347,284	2,775,860

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies

These general purpose financial statements are for the consolidated entity ('Group') consisting of Mayfield Childcare Limited ('Mayfield' or 'Company') and its subsidiary for the interim half-year reporting period ended 30 June 2023. They have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for 'for profit' entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard (IFRS) IAS 134 Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and all public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are prepared on a going concern basis and under the historical cost convention.

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

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been adopted early.

Going concern

Current liabilities exceed current assets at reporting date by \$12.0 million (31 December 2022: \$7.5 million), including \$10.3 million of lease liabilities which are expected to be settled through operating cash flows earned in the next twelve months. The Group generated a net operating cash inflow of \$1.5 million during the current half-year reporting period and is forecasting that it will continue to generate improved net operational cash inflow, and be profitable, for the next 12 months.

The Group had up to \$1.7 million (at reporting date) available to be drawn down from its Business Loan facility for working capital requirements. Additionally, subsequent to reporting date, the Group has approval to drawdown approximately \$3.47 million under the Acquisition Facility for the recent acquisition of centres. The drawdown is subject to the conditions precedent being met in accordance with the Facility Agreement and also the new centres being included as part of the security structure for the group.

In consideration of the above, the Directors have prepared the financial statements on a going concern basis.

Amendments to Accounting Standards and new Interpretations that are mandatory, effective from the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been adopted early.

New Accounting Standards and Interpretations published but not yet adopted

There have been no new standards published but not yet adopted that would have a material impact upon either the Group's reported financial performance or its financial position.

Note 2. Operating segments

Identification of reportable segments

The Group continues to operate in one operating segment, as a long day childcare services provider.

The Group continues to operate in one geographical segment, being Australia.

Major customers

The Group did not have any major customers during the half-year ended 30 June 2023, as it earns the majority of its revenue from childcare services provided to individual families.

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 3. Correction of errors in prior periods

As detailed in Note 5 of the Group's Statutory Accounts for the Year Ended 31 December 2022, it was discovered that, over the period 1 January 2020 to 31 December 2022, funds totalling \$374,713 (including GST) appeared to have been misappropriated by a former senior employee/director and that, at their direction, payments totalling \$810,818 had been misallocated to deliberately misrepresent earnings. The errors have been corrected by restating each of the affected financial statement line items for prior periods in the 31 December 2022 Statutory Accounts. The following tables summarise the impacts on the Group's consolidated financial statements for the respective periods covered by this Interim Report for the Half-year ended 30 June 2023.

Half-year Ended 30 June 2022

During the half-year ended 30 June 2022, no amounts appear to have been misappropriated via unauthorised payments to suppliers for goods and/or services not for the benefit of the Group. Misallocated payments in prior periods have been adjusted to correctly restate the half-year ended 30 June 2022 as detailed below.

Consolidated statement of financial performance	As previously reported \$	Adjustments \$	Restated \$
For the half-year ended 30 June 2022			
Centre operations costs	(1,907,394)	(25,650)	(1,933,044)
Administration costs	(589,200)	(23,800)	(613,000)
Misappropriated funds	-	-	-
Depreciation and amortisation of plant and equipment	(516,686)	3,732	(512,954)
All other items	5,966,521	-	5,966,521
Profit before income tax	2,953,241	(45,718)	2,907,523
Income tax expense	(521,896)	(13,716)	(535,612)
Profit after income tax	2,431,345	(59,434)	2,371,911
Total comprehensive income	2,431,345	(59,434)	2,371,911
	Cents	Cents	Cents
Basic and diluted earnings per share	3.81	(0.09)	3.72

The cumulative net impact of the above transactions on the Group's consolidated financial position was as follows:

Consolidated statement of financial position	As previously reported \$	Adjustments \$	Restated 1 Jan 2022 \$
As at 31 December 2021			
Prepayments (current)	773,826	140,239	914,065
Plant and equipment	3,759,649	49,189	3,808,838
All other assets	222,080,516	-	222,080,516
Total assets	226,613,991	189,428	226,803,419
Current tax liabilities	576,297	102,361	678,658
All other liabilities	160,432,109	-	160,432,109
Total liabilities	161,008,406	102,361	161,110,767
Retained earnings	7,135,925	87,067	7,222,992
Contributed equity	58,469,660	-	58,469,660
Total Equity	65,605,585	87,067	65,692,652

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 4. Revenue

	Half-year 2023 \$	Half-year 2022 \$
<i>Revenue from contracts with customers</i>		
Childcare services	35,654,031	31,040,473
<i>Other income</i>		
Other income	668,833	1,313,675
Gain on disposal of property lease	-	32,693
	36,322,864	32,386,841
Other income		
<i>Other income includes:</i>		
Business interruption insurance claim income	358,078	493,763

Note 5. Non-current assets – Plant and equipment

	30 Jun 2023 \$
Plant and equipment	
Plant and equipment – at cost	7,904,814
Less: Accumulated depreciation	(3,367,365)
Net book amount	4,537,449
Reconciliation	
Opening net book amount at beginning of year	3,856,989
Additions	1,278,273
Transfer in from Leases – Motor Vehicles	-
Acquired through business combinations (Note 10)	35,000
Disposals	(34,743)
Depreciation expense	(598,070)
Closing net book amount at end of year	4,537,449

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 6. Non-current assets – Intangibles

	30 June 2023 \$
Goodwill – at cost (i)	78,554,676
Other IP assets – at cost	6,274
Intangibles – at cost	78,560,950

(i) Reconciliation of Goodwill - at cost

Balance at beginning of year	74,110,630
Additions through business combinations (Note 10)	4,444,046
Less impairment charge	-
Balance at end of year	78,554,676

During the reporting period four childcare centres were acquired as detailed in Note 10.

Note 7. Current & Non-current liabilities – Borrowings

	30 June 2023 \$
Current	-
Non-current	11,936,600

Bank loans

Balance at beginning of year	4,326,600
Net borrowings	7,610,000
Balance at end of year	11,936,600

Financing arrangements

Bank loans

The loans are secured on the assets and undertakings of the Group.

Facility at end of year

Total bank loan facility	28,444,000
Less amount used	(11,936,600)
Unused loan facility	16,507,400

Of the \$16.5 million unused, \$14.8 million is only available for future acquisitions under the Acquisition facility and there are specific criteria which need to be met prior to any draw-down. Subsequent to reporting date, the Group has approval to drawdown approximately \$3.47 million under the Acquisition Facility for the recent acquisition of centres. The drawdown is subject to the conditions precedent being met in accordance with the Facility Agreement and also the new centres being included as part of the security structure for the group.

The Group had up to \$1.7 million at reporting date available to be drawn down from its Business Loan facility for working capital requirements.

There have been no events of default on the financing arrangements of the Group during the half-year.

Bank guarantee facility

The guarantees are secured on the assets and undertakings of the Group.

Facility at end of year

Total bank guarantee facility	4,500,000
Less amount used	(3,785,049)
Unused guarantee facility	714,951

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 8. Leases

	Half-year 2023 \$
(a) Expenses	
Expenses from transactions not recognised as leases:	
Rental expense relating to leases of low-value assets	17,512
(b) Cash flows	
Total cash outflow for leases	3,086,114
(c) Right-of-use assets	
	Property \$
Right-of-use assets	160,729,316
Less: Accumulated depreciation	(24,135,888)
Net book amount at end of year	136,593,428
Reconciliation	
Opening net book amount at beginning of year	131,410,100
Increases due to new leases entered into during the period	9,282,273
Increase due to addition of next further term	-
Increase due to market reviews	-
Increase due to remeasurement of lease liabilities upon increase of variable lease payments	558,898
Decrease on disposal of lease	-
Decrease on temporary cessation of lease payments	-
Transfer out on reclassification upon completion of finance leases (Note 5)	-
Depreciation charge	(4,657,843)
Closing net book amount at end of year	136,593,428
(d) Lease Liabilities	
	\$
Current	10,314,656
Non-current	133,206,062
Balance at end of year	143,520,718

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 8. Leases (continued)

Additional information

Unavoidable future payments

For the purpose of calculating unavoidable future lease payments, only the current term of each property lease has been considered, unless the option to exercise the next further term falls within 3 years of reporting date, in which case exercise of the next further term is considered to be reasonably certain, thus both the current and subsequent further term lease payments are considered to be unavoidable.

Weighted average property lease term

The average unavoidable property lease term, weighted for the number of licensed places, is 12.5 years. Including all further terms, the weighted average term increases to 27.8 years.

Note 9. Contributed equity

(a) Share capital

The share capital account of Mayfield Childcare Limited (the Company) consists of 65,312,704 fully paid up, ordinary shares as at 30 June 2023.

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. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Movements in ordinary share capital

There were no movements in the ordinary share capital of the Company during the current reporting period were as follows:

Date	Details	Number of shares	Amount \$
1 Jan 2023	Opening balance	65,312,704	60,618,740
	No movement	-	-
	Less: Share issue transaction costs, net of tax	-	-
30 Jun 2023	Closing balance	65,312,704	60,618,740

(c) Dividend Reinvestment Plan (DRP)

The Company has established a Dividend Reinvestment Plan (DRP) under which holders of ordinary shares may elect to have all or part of their dividend entitlement satisfied by the issue of new ordinary shares, rather than by being paid in cash. Shares are issued under the DRP at a 5% discount to the volume-weighted average price (VWAP) over the pricing period, as determined by the directors. Whether or not the DRP is offered to shareholders in relation to a declared dividend is at the discretion of the Board.

(d) Share options

There were no unissued ordinary shares of Mayfield Childcare Limited under option at 30 June 2023.

There were no ordinary shares of Mayfield Childcare Limited issued on the exercise of options during the half-year.

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 10. Business combinations

During the current reporting period, the Company entered into four Business Sale Agreements to acquire four childcare centre businesses. Three of the centres were acquired through a related party company Genius Learning Pty Ltd. The fourth acquisition (Gordonvale) was via an unrelated vendor. As at the date of this report, the Enoggera transaction was yet to formally complete and remained subject to certain conditions subsequent between the parties which are expected to be satisfied in the near future.

Location	Just Kids Gordonvale (QLD)	Genius Childcare Home Hill ¹ (QLD)	Genius Childcare Sandringham ¹ (VIC)	Genius Childcare Enoggera ¹ (QLD)	Total
Number of Centres	1	1	1	1	4
Licensed Places	75	80	60	79	294
Acquisition Date	6/2/2023	1/3/2023	1/3/2023	19/5/2023	-

1. Centres acquired from Genius Learning Pty Ltd.

The provisional, initial fair values ascribed to the assets acquired and liabilities assumed are as follows:

	\$	\$	\$	\$	Total \$
Goodwill	1,094,518	1,267,114	1,178,982	903,432	4,444,046
Right-of-use assets	1,506,601	2,753,753	5,021,919	Note 1	9,282,273
Property lease liability	(1,506,601)	(2,753,753)	(5,021,919)	Note 1	(9,282,273)
Plant and equipment	5,000	10,000	10,000	10,000	35,000
Sundry Debtor	-	28,477	18,841	-	47,318
Other Creditors	-	(22,477)	(14,341)	-	(36,818)
Provisions for employee benefits	(42,168)	(81,628)	(47,639)	(39,330)	(210,765)
Deferred tax asset	12,650	24,488	14,292	11,799	63,229
Acquisition-date fair value of total consideration paid in cash	1,070,000	1,225,974	1,160,135	885,901	4,342,010

Note 1: as at the date of this report, the lease related to the Enoggera transaction had yet to be assigned from the Seller to the Buyer.

Note 11. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in Note 1(b) of the Notes to the Consolidated Financial Statements for the year ended 31 December 2022:

Name of entity	Country of incorporation	Class of shares	June 2023 %
Genius Education Pty Ltd	Australia	Ordinary	100

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 12. Related party transactions

Parent entity

The parent entity of the Group is Mayfield Childcare Limited.

Subsidiaries

Please refer to Note 11 for details of the Company's interests in subsidiaries.

Transactions with related parties

Acquisitions in the period from Genius Learning Pty Ltd (a related party of Genius Education Holdings Pty Ltd, a major shareholder of Mayfield Childcare Limited)

During the current reporting period the Company's subsidiary Genius Education Pty Ltd (Genius Education) acquired three centres from Genius Learning Pty Ltd (Genius Learning). The details of the acquisitions are disclosed in Note 10. The total consideration paid in relation to the acquired centres was \$3,272,010. Management fees were also paid to Genius Learning totalling \$10,500 in relation to two of the centres acquired during the period as part of the transition arrangements. The services were provided on commercial terms.

Lease agreement with a related party of Genius Learning Pty Ltd

During the current reporting period, the Company's subsidiary (Genius Education Pty Ltd) acquired a childcare centre in Cairns, Queensland, from an independent third party, subsequent to the Company's acquisition, an entity related to Genius Learning acquired the freehold property. The lease agreement between the Company and the owner of the freehold is on commercial terms.

Loans to Genius Learning Pty Ltd

As disclosed in prior reporting periods, as a result of prior and current period services between the parties there has accumulated an unsecured loan receivable which at reporting date totalled \$1,103,088 (31 December 2022: \$1,303,088). Subsequent to reporting date, an amount of \$500,000 was received by the Company in partial settlement of the loan balance. With the balance of the receivable due within 12 months, the loan has been classified as a current asset and is included within Trade and other receivables in the consolidated statement of financial position. There is no commitment to provide related party services beyond the current reporting date.

An additional \$147,707 is owed by Genius Learning to Genius Education in relation to amounts net of income / expenses that were collected / incurred by Genius Learning during the transition period for three centres acquired by Genius Education during the current reporting period. Of this amount \$113,160 had been invoiced and recorded as a receivable and the balance of \$34,547 was the amount accrued in relation to the acquisition of the Enoggera centre which had not completed as at reporting date.

Management services agreements

No other related party centre service agreements were entered into during the half-year. No related party revenue has been recognised during the half-year.

Note 13. Events occurring after the reporting period

On 17 July 2023 the Company announced that Mr Chris Hayes has been appointed Mayfield's Chief Financial Officer commencing 18 July 2023. This followed the announcement on 23 May 2023 that Mr Glenn Raines had tendered his resignation to the Company. Mr Raines employment with the Company ended on 22 August 2023.

On 26 July 2023 the Company announced that Busy Bees Early Learning Australia Pty Ltd ("Busy Bees") had withdrawn its conditional, non-binding and indicative proposal ("NBIO") to acquire all of the shares in Mayfield, details of which were announced by the Company to the ASX on 12 December 2022.

On 8 August 2023 the Company announced that Ms Lubna Matta will resign from the Board as a Non-Executive Director, effective 30 September 2023. The Company also advised that it will commence an independent process to appoint additional Non-Executive Directors.

As part of its strategic portfolio review and optimisation, the Group has identified a number of non-core centres to be divested due to underperformance over multiple periods. Subsequent to reporting date, the Board has approved a process to commence the potential divestment of those centres.

Further to previous announcements prior to 30 June 2023, the Company continues to pursue all available claims for any loss and damage suffered by the Company in relation to the Misappropriated Funds and Misallocated Payments, including the cost of the forensic investigation and preparation of the independent forensic accountant's report, legal costs and interest, however no asset has been recognised in the financial report in relation to any potentially recoverable amounts.

No other matter or circumstance has arisen since 30 June 2023 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.

Notes to the consolidated financial statements for the half-year ended 30 June 2023

Note 14. Earnings per share

	Half-year 2023 Cents	Half-year 2022 <i>restated</i> Cents
Basic and diluted earnings per share	(1.86)	3.72
Weighted average number of shares	Number	Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	65,312,704	63,785,422
	\$	\$
Earnings used in calculating basic and diluted earnings per share¹		
(Loss) / Profit after tax attributable to the ordinary equity holders of the Company	(1,212,208)	2,371,911

1. Statutory earnings have been reduced by the ongoing application of AASB 16 Leases (refer 'underlying' EPS in the Review of Operations, within the Directors' Report, on page 4).

Note 15. Contingencies

The Group has no contingent liabilities as at reporting date (30 June 2022: None).

The Company continues to receive legal advice in relation to recovery of the Misappropriated Funds and costs incurred, including preservation of assets sufficient to compensate the Company for any loss and damage suffered. The Company remains satisfied with the recovery options available to it. The Company seeks to recover approximately \$1.1 million related to the matter. This represents a contingent asset of the Group as at 30 June 2023.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year 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.

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



David Niall
Chairman

Melbourne
31 August 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Mayfield Childcare Limited (the Company) and its subsidiary (collectively, the Group) which comprises the consolidated statement of financial position as at 30 June 2023, and the 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, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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 Mayfield Childcare Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410)*. Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility 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 the Australian Accounting Standards and the *Corporations Regulations 2001* and for 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to 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 consolidated financial position as at 30 June 2023 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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.

PKF

PKF

Melbourne 31 August 2023

Kaitlynn Brady

Kaitlynn Brady

Partner



Mayfield Childcare Limited
ABN 53 604 970 390

Suite 2, Ground Floor
207-213 Waverley Road
Malvern East VIC 3145

T +61 3 9576 3156
mayfieldchildcare.com.au