THINK Childcare&Education Ltd

ASX ANNOUNCEMENT
ASX: TNK
Date: 27th February 2015

Think Childcare & Education Ltd. - Preliminary Results

The Board of THINK is pleased to announce a better than forecast result for the year ending 31 December 2014.

As the listing only occurred on 24th October 2014, whilst we are very proud of the results, the period was only two months and included the formative period of the company. We believe a cautious but optimistic view of the results is prudent.

Revenue
Our revenue was 6.07% ($414K) up against the forecast for the period, timing of the centre settlements has contributed to this outcome.

Wage Expenses
Our wage costs were 4.32% ($204K) below the forecast for the period.

Occupancy
Average occupancy, for the period of ownership by the group, was 80.2% with a peak occupancy of 84.8%.

Centre Settlements
All centres were settled in the period, 22 centres settled prior to 1 November, with the final centre settling on the 29th of December.

Fee Increases
We have completed fee increases across our centres in line with forecast projections, with new fees commencing on the 4th of February 2015.

Integration and Centre Upgrade Costs
We have expended $525K to December 2014. The Board has agreed to commit a further $700K, for centre upgrades (being $200K more than prospectus forecasts). This will be expended over the first trimester of CY15, with the majority funding coming from enrolment advances from the Federal Government via Childcare Benefits System.

Banking
We completed financial close with the ANZ in late December on our $29m facility. At period end we had drawn down the initial loan of $5m (which was used to settle centres and the costs of the IPO in accordance with the Prospectus), with a $2m rental bond facility and a $2m overdraft remaining unused. The $20m acquisition facility remains available and its drawdown is aligned to our strategic growth plans.

ASX ANNOUNCEMENT
ASX: TNK
Date: 27th February 2015

High Level Analysis of the Financial Statements

Below is a high level commentary on various line items in the financial statements presented to 31 December 2014:

- Total IPO, formation and acquisition costs were higher than estimated in the prospectus by c$1m, predominantly in professional service costs. In accordance with Accounting Standards, these costs have been allocated between a direct expense in the P&L and an offset against Equity;
- The loss after tax reported is less than forecast in the prospectus due to a greater allocation of formation and acquisition expenses against equity, a better trading result and offset by a lower taxation benefit;
- Cash and cash equivalents at the end of the year were significantly greater than forecast. This is due to a later than anticipated financial close with the ANZ which resulted in the carrying of higher payables. There was also a c$1m reduction in net purchase consideration of childcare centres due to the assumption of greater than anticipated employee entitlements;
- Intangibles are reported at c$2.9m less than prospectus estimates, c$2.4m of which was due to the final restructure of the Learning and Education Australia ("LEA") group into Think Childcare and Education. This had an equal effect in the equity section of the balance sheet, recorded as an increase in the common control reserve; and
- Borrowings are less than anticipated due to the later financial close with the ANZ and the carrying of a c$3m vendor payable at year end.

In summary, we believe the company now has a solid platform from which to execute its strategy and business plan.

End.

Enquiries:

Mathew Edwards
Managing Director and Chief Executive Officer

Paul Gwilym
Director and Chief Financial Officer

Think Childcare & Education Ltd
Suite 3, 1 Park Avenue Drummoyne NSW 2047
Phone: 02 9712 7444 / Fax: 02 9712 7555
Web: www.thinkchildcareandeducation.com

1. Company details

Name of entity:	Think Childcare and Education Limited
ABN:	81 600 793 388
Reporting period:	For the period ended 31 December 2014

2. Results for announcement to the market

	$'000
Revenues from ordinary activities	7,230
Loss from ordinary activities after tax attributable to the owners of Think Childcare and Education Limited	(6,012)
Loss for the period attributable to the owners of Think Childcare and Education Limited	(6,012)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $6,012,000.

The loss includes $7,048,000 associated with the initial formation of the consolidated entity and the Initial Public Offering ('IPO') as foreshadowed in the company's prospectus dated 2 October 2014. The net loss before tax of $6,355,000 represents an improved result of 24.2% over forecast, as detailed in the prospectus. The improvement is represented by a 6.1% increase in revenue, and a reduction in formation and acquisition expense by 16.7% and other expenses by 3.0%. It is noted that the increase in revenue is partly the result of bringing forward the acquisition of 22 centres that settled on or before 31 October 2014.

Underlying earnings before interest expense, taxation, depreciation and amortisation ('EBITDA') and excluding formation and acquisition expenses for the consolidated entity was a profit of $885,000. This is calculated as follows:

	Period from 21 July to 31 Dec 2014 (unaudited) $'000
Revenue	7,230
Loss before income tax	(6,355)
Add: Depreciation and amortisation	61
Add: Finance cost	131
EBITDA	(6,163)
Formation and acquisition expenses	7,048
Underlying EBITDA	885

3. Net tangible assets

	Reporting period Cents
Net tangible assets per ordinary security	(10.96)

4. Control gained over entities

Refer to note 11 to the Preliminary Financial Report, 'Business Combinations', for details of entities over which control has been gained during the period.

---

5. Loss of control over entities

Not applicable.

---

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

---

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The consolidated entity has an optional Dividend Reinvestment Plan, pursuant to which new shares may be issued at a discount of up to 5% of the volume weighted average market price.

---

8. Details of associates and joint venture entities

Not applicable.

---

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

---

10. Audit qualification or review

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

The financial statements are in the process of being audited.

---

11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Think Childcare and Education Limited for the period ended 31 December 2014 is attached.

---

12. Signed

Signed ________________________________ Date: 26 February 2015

Mark Kerr
Chairman
Melbourne

Think Childcare and Education Limited

ABN 81 600 793 388

Preliminary Financial Report - 31 December 2014

Think Childcare and Education Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2014

	Note	Consolidated Period from 21 July to 31 Dec 2014 (unaudited) $'000
Revenue	4	7,230
Expenses		
Employee expenses		(4,517)
Occupancy expenses		(1,012)
Direct expenses of providing services		(231)
Marketing expenses		(163)
Formation and acquisition expenses	5	(7,048)
Other expenses		(422)
Depreciation and amortisation expense		(61)
Finance costs		(131)
Loss before income tax benefit		(6,355)
Income tax benefit		343
Loss after income tax benefit for the period attributable to the owners of Think Childcare and Education Limited		(6,012)
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period attributable to the owners of Think Childcare and Education Limited		(6,012)
		Cents
Basic earnings per share	13	(15.18)
Diluted earnings per share	13	(15.18)

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

Think Childcare and Education Limited
Statement of financial position
As at 31 December 2014

	Note	Consolidated 31 Dec 2014 (unaudited) $'000
Assets		
Current assets		
Cash and cash equivalents		4,357
Trade and other receivables		2,910
Other		406
Total current assets		7,673
Non-current assets		
Property, plant and equipment	6	1,273
Intangibles	7	17,425
Deferred tax		1,927
Other		871
Total non-current assets		21,496
Total assets		29,169
Liabilities		
Current liabilities		
Trade and other payables		8,729
Employee benefits		2,357
Total current liabilities		11,086
Non-current liabilities		
Borrowings	8	5,000
Total non-current liabilities		5,000
Total liabilities		16,086
Net assets		13,083
Equity		
Issued capital	9	37,664
Reserves	10	(18,569)
Accumulated losses		(6,012)
Total equity		13,083

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

Consolidated	Issued capital $'000	Common control reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 21 July 2014	-	-	-	-
Loss after income tax benefit for the period	-	-	(6,012)	(6,012)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(6,012)	(6,012)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 9)	37,664	-	-	37,664
Entities acquired under common control (note 10)	-	(18,569)	-	(18,569)
Balance at 31 December 2014	37,664	(18,569)	(6,012)	13,083

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

Think Childcare and Education Limited
Statement of cash flows
For the period ended 31 December 2014

	Note	Consolidated Period from 21 July to 31 Dec 2014 (unaudited) $'000
Cash flows from operating activities		
Cash receipts from parents and government funding		4,311
Payments to suppliers and employees		(4,017)
		294
Interest received		9
Interest and other finance costs paid		(131)
Net cash from operating activities		172
Cash flows from investing activities		
Payments for purchase of business, net of cash acquired	11	(19,089)
Payments for property, plant and equipment	6	(69)
Payments for security deposits		(871)
Net cash used in investing activities		(20,029)
Cash flows from financing activities		
Proceeds from issue of shares	9	21,150
Proceeds from bank loans	8	5,000
Payments of share issue costs, net of tax		(1,936)
Net cash from financing activities		24,214
Net increase in cash and cash equivalents		4,357
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period		4,357

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of preparation

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Think Childcare and Education Limited ('company' or 'parent entity') as at 31 December 2014 and the results of all subsidiaries for the period then ended. Think Childcare and Education Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of common control subsidiaries is accounted for using the common control method. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Common control transactions
The assets and liabilities of entities acquired via common control transactions have been recognised using their historical values rather than fair values used in other business combinations (see below). The continuation of existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been within the consolidated entity and most appropriately reflects the substance of the internal restructure. The difference between shares issued and cash exchanged as part of the common control transaction and the historical values of asset and liabilities is recorded as a common control reserve.

Note 1. Significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for business combinations (other than those deemed to be common control transactions) regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from childcare
Fees paid by the Commonwealth Government or parent fees are recognised as revenue as and when the early learning service is provided.

Management fees
Fees paid by externally owned centres are recognised when the management services have been performed.

Deferred income
Revenue received in advance from parents and Commonwealth, State or Territory Governments is recognised as deferred income and classified as a current liability until earned.

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

Note 1. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

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

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

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

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

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-10 years
Computer equipment	3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

Leases
Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as a liability. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease, which reflects the pattern in which economic benefits from the leased asset are consumed. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Intangible assets

Goodwill
Where an entity or operation is acquired in a business combination, that is not a common control transaction, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets
Goodwill and assets under construction are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of each respective financial period. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables is deemed to reflect fair value.

Note 1. Significant accounting policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are capitalised, offset against the liability and amortised over the period of the facility to which it relates. Borrowings are extinguished when its contractual obligations are discharged or cancelled or expire.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Deferred consideration
Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and expensed within interest payable and similar charges. At each balance date, deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from acquisition to the balance date.

Where deferred consideration is in the form of shares and the number of shares to be issued is fixed, the fair value is credited to equity under the heading 'Shares to be issued'.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long term borrowings.

Employee benefits

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

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

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Note 1. Significant accounting policies (continued)

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

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Think Childcare and Education Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments and its consequential amendments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. AASB 9 has been revised and reissued and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The reissued standard supersedes all previous versions of AASB 9.

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows where the contractual cash flows arise on specified dates and are solely payments of principal and interest based on the principal outstanding. A financial asset shall be measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is to both hold assets in order to collect contractual cash flows (as per amortised cost) and sell financial assets. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). This removes situations where gains caused by a deterioration in own credit risk on financial liabilities held are no longer recognised in profit or loss. New hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities undertaken by entities enabling entities to better reflect these activities through enhanced disclosure.

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance meaning that it is no longer necessary for a credit event to have occurred before credit losses are recognised. This will therefore bring forward the timing of recognising impairment losses. Impairment will be measured at either an amount equal to the 12-month expected credit losses, being the portion of lifetime expected credit losses that represent the expected credit losses resulting from events of default that could occur within the 12 months of reporting date, or the full lifetime expected credit losses which are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses shall be measured under the 12-month expected credit losses method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss method is adopted. The amendments add extensive new disclosures relating to the ECL provisions. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
Parts A to C of these amendments is applicable to annual reporting periods beginning on or after 1 July 2014 and affects the following standards:

- AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition';
- AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9;
- AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker;
- AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139;
- AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset;
- AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity;
- AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Goodwill
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates in one segment being a childcare 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 consolidated entity operates predominantly in one geographical region being Australia.

Note 4. Revenue

	Consolidated Period from 21 July to 31 Dec 2014 (unaudited) $'000
Sales revenue	
Provision of child care services	7,133
Other revenue	
Management fees	88
Interest	9
	97
Revenue	7,230

Note 5. Expenses

	Consolidated Period from 21 July to 31 Dec 2014 (unaudited) $'000
Loss before income tax includes the following specific expenses:	
Formation and acquisition expenses	
Share based payment expense	4,055
Initial public offering expenses	1,121
Acquisition and integration costs	1,872
Total formation and acquisition expenses	7,048

Note 6. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2014 (unaudited) $'000
Plant and equipment - at cost	1,302
Less: Accumulated depreciation	(56)
	1,246
Computer equipment - at cost	32
Less: Accumulated depreciation	(5)
	27
	1,273

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

Consolidated	Plant and equipment $'000	Computer equipment $'000	Total $'000
Balance at 21 July 2014	-	-	-
Additions	37	32	69
Additions through business combinations (note 11)	1,265	-	1,265
Depreciation expense	(56)	(5)	(61)
Balance at 31 December 2014	1,246	27	1,273

Note 7. Non-current assets - intangibles

	Consolidated 31 Dec 2014 (unaudited) $'000
Goodwill - at cost	17,425

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

Consolidated	Goodwill $'000	Total $'000
Balance at 21 July 2014	-	-
Additions through business combinations (note 11)	17,425	17,425
Balance at 31 December 2014	17,425	17,425

Impairment test for goodwill
Goodwill is allocated to a single cash-generating unit ('CGU'), which is based on the consolidated entity's operating segment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond the one year period are extrapolated using the estimated growth rates of occupancy and daily fee rate. The growth rate does not exceed the long term average growth rate for the business, and given the proximity to the prospectus release and the limited trading history, we believe that the assumptions made in the prospectus remain appropriate.

Note 7. Non-current assets - intangibles (continued)

Impact of possible changes in assumptions
A reasonable possible change in assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Note 8. Non-current liabilities - borrowings

	Consolidated 31 Dec 2014 (unaudited) $'000
Bank loans	5,000

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 31 Dec 2014 (unaudited) $'000
Bank loans	5,000

Assets pledged as security
The bank loans are secured on the assets and undertakings of the consolidated entity.

Financing arrangements

	Consolidated 31 Dec 2014 (unaudited) $'000
Total facilities	
Bank overdraft	4,000
Bank loans	25,000
	29,000
Used at the reporting date	
Bank overdraft	-
Bank loans	5,000
	5,000
Unused at the reporting date	
Bank overdraft	4,000
Bank loans	20,000
	24,000

The unused portion of the bank loans facility of $20,000,000, is only available for future acquisitions and there are specific criteria that needs to be met prior to draw-down.

Note 9. Equity - issued capital

	Consolidated 31 Dec 2014 (unaudited) Shares	Consolidated 31 Dec 2014 (unaudited) $'000
Ordinary shares - fully paid	39,600,000	37,664

Think Childcare and Education Limited was incorporated on 21 July 2014 and undertook an initial public offering ('IPO') on 24 October 2014. Prior and after the IPO, the consolidated entity acquired child care centres from Learning and Education Australia ('LEA') and child care centres pursuant to exercising of option contracts executed by Baker St Childcare Education and as a result there were shares issued to the original founders and vendors. Refer to note 11 for further details.

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	21 July 2014	-		-
Issue of shares - share based payment transaction	22 October 2014	4,054,900	$1.00	4,055
Issue of shares as part of business combinations	22 October 2014	13,545,100	$1.00	13,545
Issue of shares at IPO	22 October 2014	21,150,000	$1.00	21,150
Issue of shares in lieu of cash	22 October 2014	850,000	$1.00	850
Share issue transaction costs, net of tax	22 October 2014	-	$0.00	(1,936)
Balance	31 December 2014	39,600,000		37,664

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity may look to raise capital in addition to its borrowing facility with the Australian and New Zealand ('ANZ') Bank for acquisitions when an opportunity to invest in a business or company is seen as value adding relative to the current consolidated entity's share price at the time of the investment.

The consolidated entity is actively pursuing additional investments at this time in line with its prospectus business plan, and intends to utilise its borrowing capacity in the first instance.

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial period.

Note 10. Equity - reserves

	Consolidated 31 Dec 2014 (unaudited) $'000
Common control reserve (note 11)	(18,569)

Common control reserve
The common control reserve resulted from the business combination of entities deemed to be under common control at the time of the Initial Public Offering and represents the difference between (i) shares issued and cash exchanged as part of the LEA restructure and (ii) the historical values of assets and liabilities.

Note 11. Business combinations

Acquisition of childcare centres from Baker St Childcare Education Pty Ltd ('BAK') and other external parties - acquisition method
The consolidated entity acquired a number of child care centres from BAK and others, for the total consideration transferred of $16,856,000 in cash and shares. The acquisitions were between 22 October 2014 and 29 December 2014.

Details of the acquisition are as follows:

	Fair value $'000
Plant and equipment	349
Deferred tax asset	373
Other payables	(25)
Employee benefits	(1,266)
Net liabilities acquired	(569)
Goodwill	17,425
Acquisition-date fair value of the total consideration transferred	16,856
Representing:	
Think Childcare and Education Limited shares issued to vendor	263
Cash paid to vendor	16,593
	16,856

Note 11. Business combinations (continued)

Learning and Education Australia ('LEA') - common control transaction
Prior to the IPO, LEA (a common controlled entity) entered into agreements with the consolidated entity for the sale of various child care centres. The amount paid in excess of the historical value of net assets, is treated as an equity transaction, classified as common control reserve. The total consideration transferred was $18,808,000.

Details of the acquisition are as follows:

	Fair value $'000
Plant and equipment	916
Deferred tax asset	289
Employee benefits	(966)
Net assets acquired	239
Amount recognised in common control reserve	18,569
Acquisition-date fair value of the total consideration transferred	18,808
Representing:	
Think Childcare and Education Limited shares issued to vendor	13,282
Cash paid to vendor	2,496
Cash payable to vendor	3,030
	18,808

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Earnings per share

	Consolidated Period from 21 July to 31 Dec 2014 (unaudited) $'000
Loss after income tax attributable to the owners of Think Childcare and Education Limited	(6,012)
	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	39,600,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	39,600,000
	Cents
Basic earnings per share	(15.18)
Diluted earnings per share	(15.18)

The weighted average number of ordinary shares is based on 39,600,000 which is from the issue date of 22 October 2014.