MAYFIELD
CHILDCARE LIMITED

Mayfield Childcare Limited

ABN: 53 604 970 390

Annual Report

31 December 2020

About Mayfield Childcare

Mayfield Childcare (the Company) operates 20 long day childcare centres located in and around metropolitan Melbourne. The Company has a clear vision of enhancing and delivering high quality childcare to children and families. Our team of educators brings a collaborative culture of continuous improvement and learning to the children within our care. Collectively, our Board and Management team have decades of experience delivering exceptional quality care and education in the childcare industry.

We have an inherent and common desire to 'raise the bar' in early childhood education and care. In pursuit of this desire, we seek to improve the quality of the service offering at each of our centres, with the ultimate, long-term ambition of achieving 'Exceeding' National Quality Standard ratings across all centres. As we achieve our ambition of delivering the highest quality of education and care, financial prosperity for our shareholders should follow.

Our Philosophy

At Mayfield Childcare we believe that children begin their learning journey from the moment they are born and that the years from birth to eight years old are fundamental in establishing a child's sense of identity, value and confidence. We believe that families are the first and primary educator of children and that our role is to facilitate and foster a child's development, rather than to define it.

Our Mission and Vision

Mayfield Childcare's vision is to 'raise the bar' in early childhood care. Our team continues to work tirelessly to build a philosophy and a method of implementation which ensures that each of our centres provides exceptional quality care and education.

Our vision is to develop a stimulating environment and a culture of continuous learning for both the children under our care and our team of dedicated educators.

Corporate Governance

A copy of our Corporate Governance Statement may be obtained from our corporate website (www.mayfieldchildcare.com.au).

Corporate Directory

Board of Directors

Peter Lowe, *Chairman*
Michelle Clarke, *Executive Director*
Dean Clarke, *Executive Director & CEO*

Company Secretary

Andrew Draffin
DW Accounting & Advisory
Level 4, 91 William Street
Melbourne VIC 3000

Registered Office

Suite 2, Ground Floor
207-213 Waverley Road
Malvern East VIC 3145
T: +61 3 9576 3156
E: admin@mayfieldchildcare.com.au
W: www.mayfieldchildcare.com.au

Auditor

PKF Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne VIC 3008
T: +61 1300 554 474
E: registrars@linkmarketservices.com.au
W: www.linkmarketservices.com.au

Banker

Westpac Banking Corporation
150 Collins Street
Melbourne VIC 3000

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Message from the Chairman and Chief Executive Officer

Dear Shareholders,

The Board of Directors are pleased to present the Annual Report for Mayfield Childcare Limited ("Mayfield") for the year ended 31 December 2020.

In writing this message, it must be noted up front that the performance of the company for CY2020 has been impacted by unprecedented events resulting from COVID-19. The various Federal Government funding initiatives have greatly assisted the business in navigating significant operational challenges, and has also clearly validated the sector fundamentals and the essential nature of early childhood education to the community and the economy.

Victoria has been under constant and varying levels of COVID-19 restrictions since April 2020. During this time the business has managed its way through periods of free childcare, restricted access and permitted worker schemes while administering the Jobkeeper Wage Subsidy and ensuring compliance with the various conditions imposed by the industry support packages. The Board was extremely pleased with the way management and our dedicated educators coped with this ever-changing environment and, in so doing, provided support and protection to the children under our care.

As a result of the pandemic, the principal focus of the business has been to protect the cash position of the business. In this regard, the following initiatives were undertaken:

- modified our rostering system, resulting in total centre wages costs to revenue improving by 1.2% to 55.1%;
- negotiated rent reductions with our landlords;
- reduced our capital expenditure to the absolute minimum;
- negotiated a loan principal repayment deferral with our bank; and
- put our acquisition strategy on hold.

As a result of these measures, we were able to reduce our drawn debt and have cash and unused debt facilities available in case of emergency.

The impact on the business was depressed occupancy levels and fluctuating attendance rates throughout the year, which clearly affected the financial performance of the business.

With our continuous focus on quality, we now have 90% of our services rated Meeting or Exceeding the National Quality Framework.

The Board is pleased to announce a fully franked dividend of 2 cents per share payable in late March 2021, which reflects our confidence about our prospects for 2021 but also acknowledges that COVID-19 is still active in the community and so we need to remain cautious with our cash usage. The Board recommends your consideration of the Dividend Reinvestment Plan (DRP). Shareholders who elect to take shares instead of cash under the DRP will receive shares at a discount of 5% to the volume weighted average share price (VWAP) over the pricing period.

The Board is confident the business is well positioned to explore acquisition opportunities, including outside Victoria, and greenfield growth, while continuing to enhance our Managed Services business.

Yours faithfully,

Peter Lowe	Dean Clarke
Chairman	**Chief Executive Officer**

Directors' Report

Your directors present their report on Mayfield Childcare Limited ("Mayfield Childcare", "Company") for the year ended 31 December 2020.

DIRECTORS

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

- Peter Lowe, *Chairman*
- Michelle Clarke, *Executive Director*
- Dean Clarke, *Executive Director & CEO*

PRINCIPAL ACTIVITIES

During the year the principal activity of the Company consisted of operating long day childcare centres located in Victoria.

REVIEW OF OPERATIONS

During the year the Company:

- Successfully navigated the impact of the COVID-19 pandemic, with the assistance of the Federal Government's ECEC Relief Package and JobKeeper wages subsidy, including maintaining an essential service for children of permitted workers;
- Paid a dividend for the 2019 calendar year in September 2020; and
- Closed one of its regional Victorian childcare centres, reducing its number of licensed places from 1,771 to 1,671 at year-end.

The Company made a statutory net profit after tax (NPAT) for the year of $3,738,719.

Non-IFRS Financial Information[1]

After reversing the property leases impact of AASB 16 *Leases*[2], Underlying NPAT from Continuing Operations was up $678,074 or 17.9% on the previous corresponding reporting period as follows:

	Statutory Full Year 2020 $'000	*Reversing AASB 16 Impact $'000*	***Underlying Full Year 2020 $'000***	*Underlying Full Year 2019 $'000*
Revenue	37,536	(395)	**37,141**	35,866
Labour costs	(20,480)	-	**(20,480)**	(20,186)
Centre operating expenses	(2,258)	-	**(2,258)**	(2,494)
Facilities	(1,440)	(3,688)	**(5,128)**	(4,949)
Centre EBITDA	13,358	(4,083)	**9,275**	8,237
Head office staff & related costs	(1,610)	-	**(1,610)**	(1,363)
Other corporate overheads	(807)	(89)	**(896)**	(771)
EBITDA	10,941	(4,172)	**6,769**	6,103
Depreciation	(4,449)	3,890	**(559)**	(369)
EBIT	6,492	(282)	**6,210**	5,734
Finance costs	(1,285)	883	**(402)**	(661)
Tax	(1,197)	(156)	**(1,353)**	(1,295)
NPAT from Continuing Operations	4,010	445	**4,455**	3,778
Net loss on closure of centre	(272)	-	**(272)**	-
NPAT	3,738	445	**4,183**	3,778

1. Underlying, NPAT, NPAT from Continuing Operations, Centre EBITDA, EBITDA and EBIT 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.
2. For an explanation of the impact of AASB 16 *Leases* refer Note 1. Summary of significant accounting policies on page 26.

Non-IFRS Financial Information (continued)

After reversing the property leases impact of AASB 16 *Leases*, underlying Earnings Per Share (EPS) was up 1.39 cents per share or 11.9% as follows:

Underlying EPS	*Statutory 2020 Cents*	*Reversing AASB 16 Cents*	***Underlying 2020 Cents***	*Underlying 2019 Cents*
Basic and diluted earnings per share	11.72	1.39	**13.11**	11.94
	$	*$*	***$***	*$*
Earnings used in calculating EPS				
Net Profit After Tax (NPAT)	3,738,719	444,664	**4,183,383**	3,777,678
	Number	*Number*	***Number***	*Number*
Weighted average number of shares	31,905,228	31,905,228	**31,905,228**	31,628,860

1. Underlying EPS is a non-statutory financial measure which is not prescribed by Australian Accounting Standards (AAS). The Directors consider that this measure is useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

The financial position of the Company, as detailed in the Statement of Financial Position in the financial statements, is in line with management's expectations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the closure of the childcare centre noted in the Review of Operations (above), in the opinion of the directors there were no other significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or in the accompanying financial statements.

DIVIDENDS

On 8 February 2021 a first and final dividend for the year ended 31 December 2020 of 2.0 cents per ordinary share, fully franked, was declared, with a record date of 12 February 2021. The dividend will be paid on 26 March 2021, the total cost of which is estimated to be $642,013, which is expected to be satisfied by a combination of cash payments and the issue of Dividend Reinvestment Plan (DRP) shares, which rank equally with all other fully paid up, ordinary shares of the Company. The DRP is offered by the Company to all shareholders.

MATTERS SUBSEQUENT TO THE END OF THE YEAR

No matter or circumstance has arisen since 31 December 2020 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 the investor presentation released to the ASX on 8 February 2021, which includes both organic growth and the acquisition of additional childcare centres.

ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental regulation under a law of the Commonwealth, or of a State or Territory, of Australia.

DIRECTORS' DETAILS

Further information regarding the directors of Mayfield Childcare Limited, in office at the date of this report, is as follows:

Peter Lowe

B.Comm., MBA, FCPA, MAICD.

Chairman and Non-Executive Director since 22 August 2016.

Experience and expertise

Peter is an experienced director who has held Non-Executive Director (NED) roles on 17 listed and private company boards over the last 17 years. His current board roles include Non-Executive Chair of United Energy Pty Ltd (July 2003 – current), Multinet Pty Ltd (January 2002 – current) and Lochard Energy Pty Ltd (November 2015 – current) and Non-Executive Director of Australian Gas Networks Limited (May 2017 – current) and DBNGP Holdings Pty Limited (May 2017 – current).

Peter also provides a range of services to companies, including coaching and mentoring.

Peter's corporate career included PricewaterhouseCoopers (February 1974 – April 1982), Fosters Brewing Group Limited (April 1982 – November 1994) and Utilicorp United Inc (November 1994 – December 2001). His roles included Chief Financial Officer and Managing Director.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

263,129 ordinary, fully paid shares (held in the name of Company Lowego Pty Ltd).

Dean Clarke

B.Bus., CPA, AICD.

Executive Director and Chief Executive Officer since 28 November 2016.

Experience and expertise

Dean has been actively involved in the childcare industry for over 14 years. Since 2005, Dean has overseen the acquisition, design and construction of greenfield sites to create leading edge and financially successful centres. During his career, Dean has held a number of senior executive positions in different industries across Sales, Marketing and Corporate Strategy. Dean is a Certified Practising Accountant and a member of the Australian Institute of Company Directors. He brings with him considerable expertise in business strategy formulation, sales and marketing, underperforming asset turnarounds, rapid business expansion and cultivation of high performing teams.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

3,217,815 ordinary, fully paid shares held by D.W. & M.R. Clarke Pty Ltd.

Michelle Clarke

Advanced Diploma of Children's Services.

Executive Director since 28 November 2016.

Experience and expertise

Michelle's experience as an owner/operator in the Early Childhood industry extends beyond 15 years. Opening her first childcare centre in 2005, Michelle successfully developed, acquired, established and operated a number of childcare services across a range of highly diverse and competitive locations, providing her with a comprehensive insight into the complex nature of the industry. Michelle's extensive knowledge of childcare Regulatory and Quality Frameworks, combined with her ability to identify and implement operational efficiencies, resulted in rapid growth and sustained high occupancy across all of her services. Additionally, Michelle has an extensive knowledge of childcare industry reporting and end-user operating systems.

Michelle's continued commitment to delivering high quality outcomes for children and best practice standards in Early Childhood is evident in the high quality ratings her Services achieved and Michelle actively continues to advocate and implement the highest of standards at every level of operations.

In 2017 Michelle was asked to join the Advisory Board of Smiling Mind, a not-for-profit organisation that delivers meditation and mindfulness programs designed for children and adults.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

3,317,815 ordinary, fully paid shares (3,217,815 held by D.W. & M.R. Clarke Pty Ltd and 100,000 held by M.R. Clarke personally).

COMPANY SECRETARY

Andrew Draffin

B.Comm.(Acc.), CA.

Company Secretary since 25 November 2016.

Experience and expertise

Andrew is a Chartered Accountant with a strong focus on financial reporting, treasury management, management accounting and corporate advisory services. Andrew provides these services to both publicly listed and private companies, covering a broad range of industries. He has gained experience in capital markets at both primary and secondary levels over his 20 year career.

Andrew is also a Director, Company Secretary and CFO of ASX listed, London AIM listed, OTCQX listed and private companies operating in the renewable energy, exploration and mining and investment sectors. These companies have a broad range of projects and operations in various geographical locations including Australia, New Zealand, Asia, Europe, Africa and North and South America. His particular focus in performing these roles is providing oversight on financial reporting, treasury management and regulatory compliance. Andrew has experience in both pre and post initial public offerings.

DIRECTORS' MEETINGS

The number of meetings of the Board of directors of Mayfield Childcare Limited, held during the year ended 31 December 2020, were as follows:

Name of director	Full meetings of directors	
	A	B
Current directors		
Peter Lowe, *Chairman*	11	11
Dean Clarke, *Executive Director & CEO*	11	11
Michelle Clarke, *Executive Director & QIO*	11	11

A = Number of meetings attended.

B = Number of meetings held during the time the director was in office.

To date, the Company has conducted all business through meetings of the full Board.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

REMUNERATION REPORT

This audited remuneration report sets out remuneration information for Mayfield Childcare Limited's non-executive director, executive directors and other key management personnel (KMP).

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, either directly or indirectly.

A. Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The fees paid to non-executive directors, including the Chairman, reflect the demands which are made on, and the responsibilities of, the directors. Directors' remuneration consists of an annual fee plus statutory superannuation. Directors are also entitled to reimbursement of reasonable expenses incurred on Company business. Directors do not receive additional 'per meeting' fees.

The current annual fee for the Company's only non-executive director, including statutory superannuation, is:

Director	***Director's Fee***	***Comment***
Peter Lowe	$80,000 p.a.	Chairman of the Board. Unchanged since listing.

The Board may adjust the remuneration of non-executive directors from time to time, up to an aggregate amount of $300,000 in accordance with the Company's constitution. Any increase in the remuneration pool will require shareholder approval.

Non-executive directors are currently ineligible to receive benefits under the Employee Share and Option Plan (ESOP) adopted by the Company.

Executive Directors (excluding the Chief Executive Officer)

The remuneration of Company directors employed in executive roles is set by the Board, taking into account the demands which are made on, and the responsibilities of, directors. Executive directors are also entitled to reimbursement of reasonable expenses incurred on Company business. Executive directors do not receive additional 'per meeting' fees.

The current annual fee for the Company's only director with an executive role, other than the CEO, including statutory superannuation, is:

Director	***Director's Fee***	***Comment***
Michelle Clarke	$40,000 p.a.	Executive role: Quality & Integration Officer (QIO). Unchanged since listing.

Executive directors are eligible to receive benefits under the ESOP adopted by the Company.

Executive Director (Chief Executive Officer) and other KMP Executives

The Company enters into individual employment agreements with each of its executives, including the Chief Executive Officer (CEO). For the year ended 31 December 2020, executive pay was comprised solely of cash salary plus superannuation - there was no 'at risk' component of remuneration. Each executive's annual remuneration is based upon market rates for that person's role and responsibilities within the Company.

The Board approves all KMP remuneration. The CEO will review the remuneration of each KMP executive at least annually against previously agreed key performance indicators (KPI's) and set KPI's for the next performance period. In recommending KMP remuneration changes to the Board, the CEO's review will take into account such factors as increases in the cost of living and market parity. Apart from the annual review process, the Board may also approve remuneration increases based upon changes in individual KMP roles which increase an individual's level of responsibility, or recognise an increased level of skill necessary to perform a role, as recommended by the CEO.

Please refer to section *B. Remuneration details* on the following page for further executive KMP remuneration information.

Employee Share and Option Plan (ESOP)

The Company has adopted an Employee Share and Option Plan (ESOP) to encourage executives and employees to have a greater involvement in the achievement of the Company's objectives. Under the ESOP, eligible employees (including executives, officers, employees and Executive Directors) selected by the Plan Committee (or the Board, if no Plan Committee is established), which has been delegated power by the Board to administer the ESOP, may be offered shares or granted options or rights. For the year ended 31 December 2020 and to the date of this report, no shares, options or rights have been granted, nor have any been offered.

B. Remuneration details

The KMP of the Company during the year ended 31 December 2020 consisted of the directors (see pages 7 to 8 above) and the Chief Financial Officer (CFO). Details of the remuneration of the KMP of the Company are as follows:

2020	Short-term benefits	Post-employment benefits	
Name	Cash salary & fees $	Super-annuation $	Total $
Non-Executive Directors			
Peter Lowe, *Chairman*	76,530	3,470	80,000
Executive Directors			
Dean Clarke, *CEO*	177,606	30,012	207,618
Michelle Clarke, *Quality Improvement Advisor*	156,530	3,470	160,000
Other KMP			
Glenn Raines, *CFO*	169,744	16,126	185,870
Total	580,410	53,078	633,488

1. Michelle Clarke's 'Cash salary & fees' includes $120,000 (2019: $120,000) for her executive role of Quality & Integration Officer.

2019	Short-term benefits	Post-employment benefits	
Name	Cash salary & fees $	Super-annuation $	Total $
Non-Executive Directors			
Peter Lowe, *Chairman*	73,059	6,941	80,000
Executive Directors			
Dean Clarke, *CEO*	172,083	29,488	201,571
Michelle Clarke, *Quality Improvement Advisor*	156,530	3,470	160,000
Other KMP			
Glenn Raines, *CFO*	164,800	15,656	180,456
Total	566,472	55,555	622,027

All KMP remuneration for the year ended 31 December 2020 was fixed, with no performance-based, 'at risk' component.

C. Service agreements

Remuneration and other terms of employment for KMP are formalised in written agreements, the major provisions of which are as follows:

Dean Clarke, *Chief Executive Officer*

- Employment contract: Permanent ongoing
- Commencement date: 28 November 2016
- Remuneration: $207,618 p.a. inclusive of statutory superannuation, reviewable annually (next review due Q1 CY 2021)
- Executive's (and Company's) notice period: 6 months[1]

Glenn Raines, *Chief Financial Officer*

- Employment contract: Permanent ongoing
- Commencement date: 28 November 2016
- Remuneration: $185,870 p.a. inclusive of statutory superannuation, reviewable annually (next review due Q1 CY 2021)
- Executive's (and Company's) notice period: 3 months[1]

1. The Company has the option of paying out the employee's notice period, either fully or in part.

In the event of fraud or other serious misconduct the Company may terminate KMP employment agreements at any time without notice or payment in lieu of notice.

D. Share-based compensation

To the date of this report, KMP have no contractual right to receive share-based compensation. Any future offer of share-based compensation would be at the discretion of the Board, in accordance with the ESOP approved by shareholders.

E. Additional information

The number of ordinary shares in the Company held by KMP during the year ended 31 December 2020, including their personally related parties, is set out below:

Name	Balance at the start of the year	Received as remuneration	Dividend Reinvestment Plan	Other	Balance at the end of the year
Directors					
Peter Lowe	258,567	-	4,562	-	263,129
Dean[1] & Michelle Clarke	3,273,506	-	37,341	6,968	3,317,815
Other KMP					
Glenn Raines	135,000	-	-	30,000	165,000
	3,667,073	-	41,903	36,968	3,745,944

1. Dean Clarke is beneficially entitled to 3,217,815 ordinary shares.

This concludes the audited Remuneration Report.

LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to directors or to executives during the year and to the date of this report.

SHARES UNDER OPTION

There were no unissued ordinary shares of Mayfield Childcare Limited under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Mayfield Childcare Limited issued on the exercise of options during the year and to the date of this report.

INSURANCE OF OFFICERS AND INDEMNIFICATION OF AUDITOR

During the year ended 31 December 2020, Mayfield Childcare Limited paid a premium of $103,950 (2019: $80,300) to insure the directors and secretary, other KMP and officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings which may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of:

- Conduct involving a wilful breach of duty in relation to the Company, or
- Improper use of position or information to gain advantage for self or someone else, or
- Conduct causing detriment to the Company.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has not during or since the financial year agreed to indemnify the auditor of the Company, or any related entity of the auditor, against a liability incurred by the auditor relating to the conduct of the audit.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and/or experience with the Company is important.

The Board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that it has not undermined the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable to the auditor and its related entities for non-audit services:

	2020	*2019*
	$	*$*
Taxation services		
Preparation of income tax returns and related matters	**20,950**	21,250
Total fees for non-audit services	**20,950**	21,250

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 15.

AUDITOR

PKF Melbourne continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Peter Lowe
Chairman

Melbourne
15 February 2021

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mayfield Childcare Limited

In relation to our audit of the financial report of Mayfield Childcare Limited for the year ended 31 December 2020, 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.

PKF
Melbourne, 15 February 2021

Kenneth Weldin
Partner

Financial Report

For the year ended 31 December 2020

Contents

This financial report is for Mayfield Childcare Limited ("Mayfield Childcare", "Company").

The financial statements are presented in Australian dollars, which is the Company'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 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 Company'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 15 February 2021. 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 (www.asx.com.au) or Mayfield Childcare Limited (www.mayfieldchildcare.com.au).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	***2020***	*2019*
		$	*$*
Revenue	5	**37,536,185**	35,865,867
Net loss on closure of centre		**(272,369)**	-
Employees	6	**(21,939,717)**	(21,991,880)
Centre operations	6	**(2,132,988)**	(1,918,746)
Facilities		**(1,616,096)**	(1,160,844)
Administration		**(905,749)**	(799,615)
Acquisition costs		**-**	(15,047)
Depreciation and amortisation of plant and equipment	9	**(542,055)**	(352,104)
Depreciation charge on right-of-use assets	14	**(3,907,186)**	(3,721,096)
Finance costs		**(1,284,918)**	(1,428,255)
Profit before income tax		**4,935,107**	4,478,280
Income tax expense	7	**(1,196,388)**	(1,131,769)
Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited		**3,738,719**	3,346,511
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited		**3,738,719**	3,346,511

	Note	***Cents***	*Cents*
Basic and diluted earnings per share	23	**11.72**	10.58

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents		**1,569,464**	648,960
Trade and other receivables	8	**1,034,217**	1,019,902
Prepayments		**268,588**	547,378
Other		**-**	5,153
Total current assets		**2,872,269**	2,221,393
Non-current assets			
Plant and equipment	9	**2,558,724**	2,151,207
Intangibles	10	**39,638,275**	39,740,835
Right-of-use assets	14(c)	**25,409,674**	25,231,685
Deferred tax	11	**923,941**	652,022
Total non-current assets		**68,530,614**	67,775,749
Total assets		**71,402,883**	69,997,142
LIABILITIES			
Current liabilities			
Trade and other payables	12	**1,323,465**	1,331,347
Contract liabilities		**907,917**	212,388
Borrowings	13	**1,599,000**	1,295,208
Leases	14(d)	**3,441,626**	3,359,988
Current tax liabilities		**781,933**	52,801
Provisions		**1,682,373**	1,136,667
Total current liabilities		**9,736,314**	7,388,399
Non-current liabilities			
Borrowings	13	**8,297,400**	11,492,800
Leases	14(d)	**23,159,028**	22,478,309
Provisions		**106,206**	79,443
Total non-current liabilities		**31,562,634**	34,050,552
Total liabilities		**41,298,948**	41,438,951
Net assets		**30,103,935**	28,558,191
EQUITY			
Contributed equity	15(b)	**24,100,720**	23,839,313
Retained earnings		**6,003,215**	4,718,878
Total equity		**30,103,935**	28,558,191

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share Capital *$*	*Retained Earnings* *$*	*Total* *$*
2019			
Balance as at 1 January 2019	23,000,856	4,149,890	27,150,746
Profit after income tax expense for the year	-	3,346,511	3,346,511
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	3,346,511	3,346,511
Transactions with owners in their capacity as owners			
Contributions of equity (via DRP), net of transaction costs	838,457	-	838,457
Dividend paid		(2,777,523)	(2,777,523)
Balance as at 31 December 2019	23,839,313	4,718,878	28,558,191
2020			
Profit after income tax expense for the year	**-**	**3,738,719**	**3,738,719**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**3,738,719**	**3,738,719**
Transactions with owners in their capacity as owners			
Contributions of equity (via DRP), net of transaction costs	**261,407**	**-**	**261,407**
Dividend paid		**(2,454,382)**	**(2,454,382)**
Balance as at 31 December 2020	**24,100,720**	**6,003,215**	**30,103,935**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers, including government funding		**37,726,243**	35,595,535
Payments to suppliers and employees		**(25,324,684)**	(25,252,296)
		12,401,559	10,343,239
Other receipts		**20,156**	17,836
Interest paid on lease liabilities		**(825,684)**	(770,846)
Net interest paid on borrowings		**(402,723)**	(659,737)
Net income tax paid		**(739,175)**	(2,098,951)
Net cash inflow from operating activities	20	**10,454,133**	6,831,541
Cash flows from investing activities			
Payments for plant and equipment		**(1,010,711)**	(1,247,804)
Centre closure costs		**(65,120)**	-
Proceeds from the disposal of plant and equipment		**636**	-
Payments for purchases of businesses plus associated costs		**-**	(901,592)
Proceeds from return of security deposit		**-**	5,844
Net cash outflow from investing activities		**(1,075,195)**	(2,143,552)
Cash flows from financing activities			
Repayment of lease liabilities		**(3,373,851)**	(3,126,768)
Repayment of borrowings		**(2,891,608)**	(750,000)
Dividend paid		**(2,190,152)**	(1,933,964)
Share issue costs		**(2,823)**	(5,100)
Net cash outflow from financing activities		**(8,458,434)**	(5,815,832)
Net increase/(decrease) in cash and cash equivalents		**920,504**	(1,127,843)
Cash and cash equivalents at the beginning of the year		**648,960**	1,776,803
Cash and cash equivalents at the end of the year		**1,569,464**	648,960

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Mayfield Childcare Limited ("Mayfield Childcare", "Company") in the preparation of the financial statements are set out below.

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been adopted early. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The financial statements of Mayfield Childcare Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas in which assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going concern
Current liabilities exceed current assets at reporting date by $6.9 million. The ongoing application of AASB 16 *Leases* has required the recognition within the statement of financial position of a current lease liability of $3.4 million as at reporting date without a concomitant current asset (the right-of-use leased asset being mandated as non-current), however this continues to have no impact upon the economic position of the Company. Despite the 'underlying' (pre-AASB 16) net shortfall in current assets of $3.4 million, the Company continues to generate positive operational cash flows and continues to be profitable. The Company had up to $5.2 million (at reporting date) available to be drawn down from its lending facility for working capital requirements and it closely monitors its cash resources.

The COVID-19 pandemic resulted in the federal government effectively capping the Company's income through its Early Childhood Education and Care (ECEC) Relief Package scheme. With childcare fees having been reintroduced from 13 July 2020 and federal government Relief Package funding expected to continue through to 31 January 2021, the Company is confident that its financial position will continue to improve as the effects of the pandemic diminish.

In considering the pandemic and its expected impact upon the future cash flows of the Company, the directors have assumed that funding will continue to be received from both the federal (CCS) and state (Kindergarten) governments in a timely manner, and in accordance with currently legislated funding models and that occupancy, after the usual dip in late January as our oldest cohort move on to commence primary school, will gradually recover and then grow over the course of 2021. Whilst uncertainties in forecasting do and always will exist (and are greater than would normally be the case), they do not constitute material uncertainty in relation to going concern. Therefore, having regard to all of the above, the directors believe it appropriate to prepare the preliminary financial statements on a going concern basis.

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

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies (continued)

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, 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. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred for more than twelve months, the amount payable in the future is discounted to its present value as at the date of acquisition. The resulting contingent consideration is recognised as a financial liability and is remeasured to fair value at the end of each reporting period, with any such changes in fair value recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis. The Company will retrospectively adjust the provisional amounts recognised and also recognise any additional assets or liabilities identified 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 the earlier of either (i) 12 months from the date of acquisition; or (ii) when the Company receives all the information possible to determine fair value.

(c) Revenue recognition

The Company provides long day childcare and educational services to its customers. Fees are generally billed weekly and, in the usual course of business, payment is received within one week of billing. Revenue is recognised once the contracted service has been provided. Payments for services provided are usually sourced from both the federal government and private individuals, else solely from the latter if ineligible for funding support. Payments in advance of services provided are recognised as contract liabilities until such time as the services are provided.

A. Contracts with customers

Disaggregation of revenue

The requirement to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty (of revenue) and cash flows are affected by economic factors is subject to materiality. The following categories were considered in deciding not to disaggregate revenue from contracts with customers:

- *Type of service:* Within the provision of childcare services, revenue is earned from supplementary government funding for the provision of approved kindergarten programmes and for the support of children with additional needs and, whilst grant funding is also provided from time to time on an ad-hoc, specific needs basis, none of these revenue streams are individually material. Hence they, along with other non-material services such as consultancies and managed services, have not been disaggregated and separately disclosed.
- *Geographical region:* Services are provided from childcare centres located within approximately 2 hours drive of Melbourne's CBD – further disaggregation would not be meaningful and no individual centre's revenue is material.
- *Market:* The Company operates solely within the early education sector.
- *Type of customer:* The majority of customers are private individuals, with only an immaterial proportion of fees being incurred by government agencies (for children placed within the Company's care) and head office-sourced consultancy and managed services contracts.
- *Type of contract:* Revenue earned from consultancy fee and managed services contracts, whilst growing, remains immaterial when compared to revenue earned from the provision of childcare services; childcare service contracts between the provider (the Company) and customer being the predominant means of earning contracted revenue.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

A. Contracts with customers (continued)

- *Contract duration:* Whilst childcare service contracts may be terminated at any time within agreed notice periods, contracts are open-ended insofar as services will continue to be provided for as long as the customer remains in good financial standing. As previously noted, revenue earned from consultancy and managed services contracts is not material.
- *Timing of provision of service:* Childcare services are provided on a day-to-day basis. Consultancy and managed services performance obligations are expected to be met over a longer timeframe however, as previously noted, revenue earned therefrom is not material.
- *Sales channel:* Not considered applicable - the Company contracts directly with each customer.

Contract balances

The closing balance of contract liabilities as at reporting date is expected to fully flow through and be recognised as revenue within twelve months from reporting date. Contract liabilities arise when payment is received in advance of the provision of the service. Thus, with the exception of refunds to those parents who terminate their contracts whilst in credit (which are not material), the closing balance of contract liabilities from the prior reporting period has been fully recognised within the current reporting period.

There is usually no significant change in the balance of contract liabilities from one reporting period to the next. Acquisitions of childcare centres will increase the balance whilst, conversely, disposals of childcare centres will reduce the balance, however such changes are not normally material within the context of the overall balance.

Performance obligations

Provision of childcare services

Customers are usually billed weekly in advance of the provision of childcare services and payment is generally received within one week, before services for the billed week have been completely provided. Therefore, the Company usually provides services for up to 3 days before receiving cleared funds. Thereafter, for the remainder of the week, the Company has been paid in advance for up to 3 days. The exact number of days by which customer accounts will be in advance or in arrears depends upon the method of payment used by the customer, the timing of any public (that is, non-banking day) holidays within the week and, lastly, the day of the week on which the reporting date falls.

Performance obligations are satisfied and completed daily, once the child has been collected by its care giver, and brought to reckon weekly through the issuing of weekly customer statements of account. Given the nature of the services provided, there are no return, refund or warranty obligations.

Kinder and Inclusion Support funding and other grants

Grants from the Commonwealth, State or Local Governments are recognised as revenue once the amount of the grant can be reliably measured and all performance obligations, including compliance with the associated grant terms and conditions, have been fully performed. The various Federal Government Industry Support Packages, encompassing the Relief Package, Transition Payment and Recovery Payment grants, each came with varying obligations, with the latter two grants obliging the Company to not increase prices for the duration of the grants and to maintain centre staffing at pre-Transition Payment levels.

Consultancy and management services

Distinct performance obligations within consultancy and management services contracts are individually identified. Revenue is recognised as each performance obligation is satisfied over time through the provision, to the customer, of the relevant service. Any revenue received in advance of the satisfaction of a performance obligation is classified as a contractual liability and recognised as such until the performance obligation thereof has been satisfied.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

A. Contracts with customers (continued)

Transaction price allocated to the remaining performance obligations

Weekly billing of customers is based on the duration of care for which the child has been enrolled, with some centres offering discounts for full-time bookings (Monday to Friday inclusive), as distinct from part-time or casual bookings. At reporting date the Company calculates the amount earned from each customer to the end of that day and, if this is less than the amount billed to the customer, the excess is recognised as a contract liability for performance obligations unfulfilled.

B. Significant judgements in applying the standard

Determining the transaction price and the amounts allocated to performance obligations

There is no variable consideration, nor post-billing discounts, to be taken into account in determining the transaction price. Any non-refundable enrolment and waiting list fees are not material and are recognised as revenue when received.

Other than those disclosed above, there are no significant judgements made in applying the standard.

(d) 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, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, any unused tax losses and any adjustments recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits.

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 amounts of recognised and unrecognised deferred tax assets are reviewed at 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 amounts to be recovered.

(e) Cash and cash equivalents

Cash and cash equivalents includes all cash on hand, deposits held at call with financial institutions and 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.

(f) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies (continued)

(f) Trade and other receivables (continued)

The Company applies the AASB 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables. The expected loss rates are based on the payment profiles of sales to reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors expected to potentially affect the ability of customers to settle the receivables.

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

(g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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: 5 to 10 years; Computer equipment: 3 to 5 years; Vehicles: 3 to 6 years; Web-site development costs: 4 years.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

(h) Intangible assets

Goodwill

Goodwill is measured as described in Note 1(b) above. Goodwill is not amortised but is tested for impairment at least annually, 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.

(i) Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Non-financial assets, other than goodwill, which suffer an impairment are reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually due for settlement no more than 30 days from the date of recognition. Due to their short-term nature the amounts recognised are deemed to reflect fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies (continued)

(k) Leases

The Company, as lessee, is required to recognise its leases in the statement of financial position, as the distinction between 'operating' and 'finance' leases has been removed. The only exceptions are short-term (less than 12 months) leases and leases of low-value assets. The lease liability is measured as the present value of the unavoidable future lease payments to be made over the lease term (refer Note 14(d)). The Company elected to adopt the modified retrospective approach (with the application of practical expedients), which equates the 'right-of-use' asset (ROUA) with the value of the lease liability, therefore there was no requirement to restate either retained earnings or prior period comparatives upon adoption.

The expensing of lease payments evenly over the lease period was replaced with (i) a depreciation charge against the leased ROUA; and (ii) an interest expense on the recognised lease liability. Within the statement of cash flows, the interest component of lease payments is recognised as an operating cash flow and the principal component of lease payments is recognised as a financing cash flow.

On adoption, the Company recorded a non-current ROUA and both a current and non-current liability for every applicable lease. The ROUA is depreciated on a straight-line basis over the life of the lease and the interest on the liability is recorded using the effective interest rate method. This reduces facilities expense and increases depreciation and finance costs expenses. Finance costs are higher during the earlier years of the lease (therefore total expenses are higher and profit is lower) and lower in the later years of the lease (therefore total expenses are lower and profit is higher).

In calculating the value of each property lease liability, future lease payments include known fixed percentage increases but exclude variable consumer price index (CPI) increases, as estimations of future increases are prohibited by the standard (CPI lease payment increases are taken into account via a re-measurement of the lease liability as and when the increase occurs). The net present value of the unavoidable future lease payments are discounted using the Company's incremental borrowing rate, as none of the property leases have an implicit interest rate. 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.

(l) Borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Borrowings are derecognised when the contractual obligations are discharged, cancelled or expired.

(m) Finance costs

All finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 1. Summary of significant accounting policies (continued)

(n) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly 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 employee benefits (annual and long service leave) not expected to be wholly settled within 12 months of the reporting date is measured as the estimated 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 end of the reporting period on corporate bonds with terms to maturity and currency which match, as closely as possible, the estimated future cash outflows.

(o) Contributed equity

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

(p) Earnings per share

Basic earnings per share

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

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the statement of financial position.

(r) 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 Company's reported financial performance or its financial position.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 2. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potentially adverse effects upon the performance of the Company. To date, the Company has not used derivative financial instruments to hedge its risk exposures.

Financial risk management is the responsibility of the Chief Financial Officer, acting within guidelines approved by the Board of Directors. The Company's risk exposures are identified and analysed using different methods, such as sensitivity analysis for interest rate risk and debtor ageing for credit risk.

The Company holds the following financial instruments:

	31 Dec 2020	*31 Dec 2019*
	$	*$*
Financial assets		
Cash and cash equivalents	**1,569,464**	648,960
Trade and other receivables	**1,031,225**	1,019,902
	2,600,689	1,668,862
Financial liabilities		
Trade and other payables	**1,320,473**	1,331,347
Contract liabilities	**907,917**	212,388
Borrowings	**9,896,400**	12,788,008
Leases	**26,600,654**	25,838,297
	38,725,444	40,170,040

(a) Market Risk

Foreign exchange risk

The Company has not undertaken any material foreign currency denominated transactions, hence it is not exposed to foreign currency risk through foreign currency exchange rate fluctuations.

Price risk

The Company is not exposed to any material price risk.

Interest rate risk

The Company's predominant interest rate risk arises from its long-term borrowings. Borrowings undertaken at variable rates expose the Company to interest rate risk, whereas borrowings undertaken at fixed rates expose the Company to fair value interest rate risk.

At 31 December 2020 the interest rates on the Company's loan facilities were as follows:

- $6,871,400 at 1.7835% variable ($6,871,400 drawn)
- $1,700,000 at 2.05% variable (unused)
- $10,000,000 at 1.91% variable ($3,025,000 drawn)

Including a line fee of 0.75% p.a. on the full amount of each facility, the average interest rate for the year was 2.91% (2019: 4.17%).

Any reasonably possible movement in interest rates is not expected to cause a material impact upon profit or equity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 2. Financial risk management (continued)

(b) Credit Risk

The Company is exposed to credit risk arising from the potential of a counterparty to fail to fulfil their financial obligations, thereby exposing the Company to financial loss. Throughout the year ended 31 December 2020 the Company's exposure to credit risk lay predominantly with its trade receivables. The Company utilises a three-tiered approach to managing its trade receivables: firstly, at the centre manager level, then, at the area manager level and, finally, at the corporate executive level. Despite the relatively small individual trade receivable balances, the Company uses of an external debt collection agency on a 'no collect-no fee' basis in certain circumstances.

At 31 December 2020 the maximum exposure to credit risk of recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, cash equivalents and readily marketable investments to enable the Company to meet its debts as and when they become due and payable. The Company manages liquidity by continuously monitoring forecast and actual cash flows, ensuring it holds adequate cash reserves and has sufficient borrowing capacity to meet its future funding requirements.

Financing arrangements

Unused borrowing facilities are as follows:

	31 Dec 2020	*31 Dec 2019*
	$	*$*
Westpac Banking Corporation		
Variable rate loans (available for working capital requirements)	**5,175,000**	3,050,000
Variable rate loan (available only for centre acquisitions, subject to meeting lending criteria)	**3,500,000**	3,500,000
	8,675,000	6,550,000

Maturity of Financial Liabilities (excluding Leases)

The following table analyses the Company's financial liabilities, excluding leases (refer Note 14(d)), into relevant maturity groupings, based on their contractual maturities – they are not expected to occur significantly earlier than as contracted at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

31 December 2020	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount of liabilities
Trade and other payables	**1,320,473**	**-**	**-**	**1,320,473**	**1,320,473**
Borrowings	**1,768,100**	**2,120,353**	**6,439,089**	**10,327,541**	**9,896,400**
Total financial liabilities (excluding Leases)	**3,088,573**	**2,120,353**	**6,439,089**	**11,648,014**	**11,216,873**

31 December 2019	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount of liabilities
Trade and other payables	1,331,347	-	-	1,331,347	1,331,347
Borrowings	1,627,843	1,896,836	10,395,429	13,920,108	12,788,008
Total financial liabilities (excluding Leases)	2,959,190	1,896,836	10,395,429	15,251,455	14,119,355

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions which affect the amounts reported in the financial statements. Management regularly evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual, eventual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months are as follows:

Goodwill
The Company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether or not goodwill has suffered an impairment, in accordance with the accounting policy stated in Note 1 above. The recoverable amounts of cash-generating units (CGU's) are determined based on value-in-use calculations, which require the use of assumptions, including estimated discount rates, based on the current cost of capital, and the growth rates of the estimated future cash flows.

Property Leases
Important factors in calculating the value of property lease liabilities and right-of-use assets (ROUAs) as reported in the statement of financial position, along with the associated finance costs and depreciation charge on ROUA's reported in the statement of profit or loss, include the determination of the:

- Non-cancellable lease term: The Company has exercised judgement in determining that unavoidable future lease payments include only the current lease term, 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.
- Incremental borrowing rate: The Company has exercised judgement in estimating the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to each right-of-use asset in a similar economic environment.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 4. Operating segments

Identification of reportable segments
The Company continues to operate in one operating segment, as a long day childcare services provider. The Company operates in one geographical region being Australia and, more specifically, Victoria.

Major customers
The Company did not have any major customers during the year ended 31 December 2020, as it earns the majority of its revenue from childcare provided to individual families.

	2020	*2019*
	$	*$*

Note 5. Revenue

Childcare services	**32,786,428**	35,848,310
JobKeeper wages subsidy	**4,336,500**	-
Property rent reductions	**348,630**	-
Early termination of property leases	**46,207**	-
Other net income	**18,420**	17,557
	37,536,185	35,865,867

Note 6. Expenses

Profit before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**1,639,488**	1,748,959
Impairment charge on trade receivables (Note 8)	**75,988**	26,484

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 7. Income tax expense

	2020	*2019*
	$	*$*
Aggregate income tax expense	**1,196,388**	1,131,769
Deferred income tax		
Increase in deferred tax assets (Note 11)	**(271,919)**	(255,959)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**4,935,107**	4,478,280
Tax expense at the statutory rate of 26.0% (2019: 27.5%)	**(1,283,128)**	(1,231,527)
Tax effect of amounts which are not taxable/(taxable) in calculating taxable income:		
Change of tax rate on carried forward deferred tax asset	**(35,565)**	-
Acquisition costs	**-**	(4,079)
Share issue costs	**105,327**	111,249
Non-deductible revenue/(expenses)	**16,978**	(7,412)
Income tax expense	**(1,196,388)**	(1,131,769)
Weighted average tax rate	**24.2%**	25.3%

Note 8. Current assets - Trade and other receivables

Trade receivables	**1,082,289**	949,220
Less: Provision for impairment of trade receivables	**(134,080)**	(58,092)
	948,209	891,128
GST receivable	**86,008**	59,546
Other receivables	**-**	69,228
	1,034,217	1,019,902

Impaired trade receivables

As at reporting date trade receivables were assessed for impairment. The allowance for expected credit losses recognised during the year was $75,988 (2019: $26,484). Movements in the allowance for expected credit losses of trade receivables are as follows:

Opening balance	**58,092**	31,608
Allowance for impairment recognised during the year (Note 6)	**75,988**	26,484
Closing balance	**134,080**	58,092

Past due but not impaired

As at reporting date, customers with balances more than 30 days overdue but assessed as not being impaired totalled $58,504 (2019: $157,882). These relate to a number of customers for whom there is no recent history of default and for which full payment is expected. The ageing analysis of these trade receivables is as follows:

Up to 3 months	**34,963**	91,019
3 to 6 months	**11,654**	30,339
More than 6 months	**11,887**	36,524
	58,504	157,882

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 9. Non-current assets - Plant and equipment

	2020	*2019*
	$	*$*
Plant and equipment		
Plant and equipment - at cost	**3,615,858**	2,715,665
Less: Accumulated depreciation	**(1,057,134)**	(564,458)
Net book amount	**2,558,724**	2,151,207
Reconciliation		
Opening net book amount at beginning of year	**2,151,207**	1,324,485
Net additions through business combinations	**-**	5,000
Adjustments from finalised prior period business combinations (Notes 10 & 16)	**2,511**	(2,178)
Additions	**1,036,961**	1,247,803
Disposals	**(89,900)**	(278)
Reclassification as right-of-use assets	**-**	(71,521)
Depreciation expense	**(542,055)**	(352,104)
Closing net book amount at end of year	**2,558,724**	2,151,207

Note 10. Non-current assets – Intangibles

Goodwill – at cost	**39,638,275**	39,740,835
Reconciliation		
Balance at beginning of year	**39,740,835**	38,855,655
Additions through business combinations	**-**	883,002
Adjustments from finalised prior period business combinations (Notes 9 & 16)	**(2,511)**	2,178
Closure of centre	**(100,049)**	-
Balance at end of year	**39,638,275**	39,740,835

The Company did not acquire any centres during the reporting period.

The Company closed one of its regional Victorian centres during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 10. Non-current assets – Intangibles (continued)

Goodwill impairment testing

Goodwill is allocated to a single cash-generating unit (CGU), which is based on the Company's operating segment. The recoverable amount of the CGU is based on value-in-use calculations using cash flow projections from financial forecasts approved by the Board.

Key assumptions and sensitivity analysis

The calculation of value-in-use is most sensitive to the following assumptions which, due to the COVID-19 pandemic, have been conservatively assessed:

- Revenue growth of 3.0% (Dec 2019: 3.75%) - reduction reflects dampened expectations due to the COVID-19 pandemic;
- Employee expenses growth of 3.0% (Dec 2019: 3.25%) - reduction reflects expectation of lower future wages growth;
- All other expenses growth of 2.0% (Dec 2019: 3.0%) - reduction reflects lower rate of inflation;
- Discount rate (pre-tax) of 15.75% (Dec 2019: 14.75%) – increase reflects increased cost of capital due to COVID-19; and
- Terminal growth rate of 2.5% (Dec 2019: 2.75%), which does not exceed the long-term average growth rate for the business.

The discount rate represents the current market assessment of the risks specific to the operating sector, taking into consideration the time value of money and the individual risks of the underlying assets that have been incorporated within the cash flow estimates.

The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on management's assessment of an applicable risk-free rate plus a Company-specific risk premium.

The directors have considered the sensitivity of the impairment assessments to a reasonably possible change in the above key assumptions. The following sensitivities would likely result in an impairment:

- No revenue growth over the next 5 years and growth of 2.4% p.a. or less indefinitely beyond that (assumes no reduction in expenses growth)
- Annual employee expenses growth of 4.6% or more (assumes no change in the growth of other expenses)
- Discount rate increased to more than 18.4%

Based on the above, the Board has determined that no impairment is required to the carrying amount of goodwill at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 11. Non-current assets – Deferred tax

	2020	*2019*
	$	*$*
Deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	**511,654**	436,405
Property Leases	**310,859**	163,546
Deferred revenue	**52,270**	-
Impairment of receivables	**34,861**	15,975
Audit fees	**10,400**	8,250
Borrowing costs	**2,232**	6,027
Share issue costs	**1,665**	-
Initial listing costs	**-**	14,153
Prospectus liability insurance	**-**	7,666
Deferred tax	**923,941**	652,022
Movements:		
Balance at beginning of year	**652,022**	396,063
Change of tax rate (from 27.5% to 26.0%)	**(35,565)**	-
Property leases	**156,234**	163,546
Provisions	**99,054**	112,205
Deferred revenue	**52,270**	-
Impairment of receivables	**19,757**	7,282
Audit fees	**2,600**	(1,375)
Borrowing costs	**(3,467)**	(7,261)
Share issue costs	**(7,248)**	(13,858)
Prospectus liability insurance	**(11,716)**	(7,666)
Adjustment recognised for prior period	**-**	2,534
Additions through business combinations	**-**	552
Balance at end of year	**923,941**	652,022

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

	2020 $	2019 $

Note 12. Current liabilities - Trade and other payables

Trade payables	**170,764**	231,537
Other payables	**1,152,701**	1,099,810
	1,323,465	1,331,347

Note 13 Current & Non-current liabilities – Borrowings

Current	**1,599,000**	1,295,208
Non-current	**8,297,400**	11,492,800
	9,896,400	12,788,008
Bank Loans		
Balance at beginning of year	**12,550,000**	13,300,000
Net (repayments)/borrowings	**(2,653,600)**	(750,000)
Balance at end of year	**9,896,400**	12,550,000
WorkCover Premium Funding		
Balance at beginning of year	**238,008**	-
Net (repayments)/borrowings	**(238,008)**	238,008
Balance at end of year	**-**	238,008

Financing arrangements

Bank Loans

The bank loans are secured on the assets and undertakings of the Company.

Facility at end of year		
Total bank loan facility	**18,571,400**	19,100,000
Less amount used	**(9,896,400)**	(12,550,000)
Unused facility	**8,675,000**	6,550,000

Of the $8.7 million unused, $3.5 million is only available for future acquisitions and there are specific criteria which need to be met prior to any draw-down. There have been no events of default on the financing arrangements of the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

	2020 $	2019 $

Note 14. Leases

(a) Expenses

	2020 $	2019 $
Expenses from transactions not recognised as leases:		
Rental expense relating to leases of low-value assets	**54,378**	50,015

(b) Cash flows

	2020 $	2019 $
Total cash outflow for leases	**4,199,535**	3,897,614

(c) Right-of-use assets

	Property $	Motor Vehicles $	Total $
Right-of-use assets	**32,430,764**	**101,006**	**32,531,770**
Less: Accumulated depreciation	**(7,058,941)**	**(63,155)**	**(7,122,096)**
Net book amount at 31 December 2020	**25,371,823**	**37,851**	**25,409,674**
Reconciliation			
Opening net book amount at beginning of year	**25,176,999**	**54,686**	**25,231,685**
Additions	**2,767,022**	**-**	**2,767,022**
Increase due to addition of next further term	**1,938,386**	**-**	**1,938,386**
Increase due to remeasurement of lease liabilities upon increase of variable lease payments	**1,111,419**	**-**	**1,111,419**
Decrease due to early termination of leases	**(1,731,652)**	**-**	**(1,731,652)**
Depreciation charge	**(3,890,351)**	**(16,835)**	**(3,907,186)**
Closing net book amount at end of year	**25,371,823**	**37,851**	**25,409,674**

(d) Lease Liabilities

	$
Current	**3,441,626**
Non-current	**23,159,028**
Total at 31 December 2020	**26,600,654**

Maturity of Leases

The following table analyses the Company's leases by relevant maturity groupings, based on their contractual maturities – they are not expected to occur significantly earlier than as contracted at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2020	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
Leases – Property	4,091,637	4,153,415	11,608,655	9,726,034	29,579,741	26,567,434
Leases – Motor Vehicles	33,343	-	-	-	33,343	33,220
Total Leases	4,124,980	4,153,415	11,608,655	9,726,034	29,613,084	26,600,654

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 14. 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 6.2 years (Dec 2019: 7.2 years).

Including all further terms, the weighted average term increases to 22.5 years (Dec 2019: 21.7 years).

Motor vehicle leases

Motor vehicles are leased over 4 years and the liability includes contracted, end-of-lease residual payments.

Note 15. Contributed equity

(a) Share capital

The share capital account of Mayfield Childcare Limited (the Company) consists of 32,100,662 fully paid up, ordinary shares as at 31 December 2020.

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

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

Date	Details	Number of shares	Amount $
1 Jan 2019	Opening balance	30,964,116	23,000,856
28 Mar 2019	Issued under Dividend Reinvestment Plan	869,647	843,557
	Less: Share issue transaction costs, net of tax		(5,100)
31 Dec 2019	Balance	31,833,763	23,839,313
25 Sep 2020	Issued under Dividend Reinvestment Plan	266,899	264,230
	Less: Share issue transaction costs, net of tax		(2,823)
31 Dec 2020	**Closing balance**	**32,100,662**	**24,100,720**

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 15. Contributed equity (continued)

(d) Share options

There were no unissued ordinary shares of Mayfield Childcare Limited under option at 31 December 2020. There were no ordinary shares of Mayfield Childcare Limited issued on the exercise of options during the year.

(e) Capital management

Risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders, benefits for other stakeholders and minimise the cost of capital by optimising its capital structure.

Future optimisation measures may include any or all of adjusting the amount of dividends it distributes and/or returning capital to its shareholders, raising capital by issuing new shares, selling assets to reduce debt and further bank borrowings. As a general principle, the Company will seek to utilise its borrowing capacity to fund the acquisition of new childcare businesses, whilst ensuring it adheres to the financial and operating covenants therein. The Company has not defaulted on any of these covenants during the reporting year.

Dividends

The final dividend recommended after reporting date will be fully franked out of franking credits available at the time of payment.

	2020	*2019*
	$	*$*
Franking credits available for subsequent reporting periods based on a tax rate of 26.0% (2019: 27.5%)	**1,834,457**	1,957,634

The above amount is calculated from the balance of the franking account as at the end of the reporting period.

Note 16. Business combinations

The Company did not acquire any childcare centres during the reporting period.

Finalisation of prior period provisional estimates

During the reporting period final adjustments were made to the initial provisional estimate of the fair value of plant and equipment acquired in a business combination undertaken in the prior reporting period, as follows:

2020	Tecoma $
Plant and equipment	
Finalised fair value	7,511
Less initial provisional estimate	(5,000)
Increase in current reporting period (Note 9)	2,511

Note 17. Key management personnel (KMP) disclosures

	2020	*2019*
	$	*$*
Aggregate compensation made to directors and other KMP of the Company:		
Short-term employee benefits	**580,410**	566,472
Long-term benefits	**53,078**	55,555
	633,488	622,027

Detailed remuneration disclosures are provided in the Directors' Report, within sections A to D of the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

	2020	*2019*
	$	*$*

Note 18. Commitments

Capital commitments

The Company has no capital commitments as at reporting date (2019: $Nil)

Note 19. Remuneration of auditor

During the period the following fees were paid or payable for services provided by the auditor and its related practices:

	2020 $	2019 $
Audit services		
Audit of financial reports	**60,000**	60,000
Non-audit services		
Preparation of income tax returns and related matters	**20,950**	21,250
Total fees of PKF Melbourne and its related practices	**80,950**	81,250

Note 20. Reconciliation of profit after income tax to net cash from operating activities

	2020 $	2019 $
Profit after income tax	**3,738,719**	3,346,511
Depreciation charge on right-of-use assets	**3,907,186**	3,721,096
Depreciation and amortisation of plant and equipment	**542,055**	352,104
Net loss on closure of centre	**272,369**	-
Impairment charge on trade receivables	**75,988**	26,484
Net loss on disposal of non-current assets	**1,736**	279
Early termination of property leases	**(46,207)**	-
Acquisition costs	**-**	15,047
Change in operating assets and liabilities		
Increase in trade and other receivables	**(90,313)**	(112,844)
Decrease/(Increase) in other operating assets	**283,943**	(236,309)
Increase in deferred tax assets	**(236,354)**	(68,059)
Increase in trade and other payables	**703,410**	276,913
Increase/(decrease) in current tax liabilities	**729,132**	(711,775)
Increase in provisions	**572,469**	222,094
Net cash inflow from operating activities	**10,454,133**	6,831,541

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Note 21. Related party transactions

Subsidiaries

The Company does not have any subsidiaries.

Key management personnel (KMP)

Detailed remuneration disclosures relating to KMP are set out in Note 17 and in the Directors' Report, within sections A to D of the Remuneration Report.

Transfer of obligations

Managed services agreements

During the year Michelle Clarke, a director of the Company, subcontracted her obligation to provide childcare management services to an unrelated (to either Michelle Clarke or Mayfield) third party to the Company. Michelle Clarke received no financial benefit before, during or after the transaction from the transfer of obligations.

Note 22. Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2020 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.

Note 23. Earnings per share

	2020 Cents	*2019 Cents*
Basic and diluted earnings per share	**11.72**	10.58
	Number	*Number*
Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	**31,905,228**	31,628,860
	$	*$*
Earnings used in calculating basic and diluted earnings per share[1]		
Profit after tax attributable to the ordinary equity holders of the Company	**3,738,719**	3,346,511

1. 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 6).

Note 24. Contingencies

The Company has no contingent liabilities, nor any contingent assets, as at reporting date.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 17 to 41 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

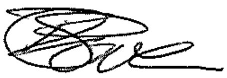
(ii) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the year ended on that date; and

(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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Peter Lowe
Chairman

Melbourne
15 February 2021

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

Report on the Audit of the Financial Report

Our Opinion

We have audited the accompanying financial report of Mayfield Childcare Limited (the Company), which comprises the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' Declaration.

In our opinion the accompanying financial report of Mayfield Childcare Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

PKF

Matter and Significance	How our audit addressed the key audit matter
Valuation of Goodwill As set out in Note 10 of the financial statements, as at 31 December 2020, Mayfield has goodwill of \$39,638,275 (2019: \$39,740,835). An annual impairment test for goodwill is required under AASB 136 *Impairment of Assets*. The evaluation of the recoverable amount requires the Company to exercise significant judgement in determining key assumptions, which include: • 5 year cash flow forecast; • Occupancy rates; • Terminal growth factor; and • Discount rate. Based on the above, we have determined that the assessment of the recoverable amount of the goodwill is a key audit matter.	Our audit procedures included, but were not limited to: • Assessing and challenging: o Management's determination of the appropriate amount of goodwill allocated to the closure of a centre during the year; o the assumption of one cash generating unit is appropriate in the context of the goodwill allocated to it; o the reasonableness of the Financial Year 2021 budget approved by the Board by comparing Financial Year 2020 actual results and Financial Year 2020 budget; o the assumptions used to forecast occupancy rates across the portfolio of centres in the impairment model, noting the current supply of places in the sector and changes to childcare funding; o the assumptions used for the future growth rate by comparing normalised average growth rates for centres in recent years to the growth rate adopted in the impairment model, noting the regulatory environment in the sector; o the key assumptions for long term growth in the forecast cash flows by comparing them to historical results and industry forecasts; and o the discount rate applied by comparing the Company's weighted average cost of capital to industry benchmarks. • Reviewing the mathematical accuracy of the cash flow model including: o agreeing the inputs in the cash flow model to the reviewed assumptions considered above; and o reviewing the calculated terminal value. • Assessing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used in Note 10.

Other Information

Other information is financial and non-financial information in the annal report of the Company which is provided in addition to the financial report and the auditor's report. The Directors are responsible for the other information in the annual report.

The other information we obtained prior to the date of this auditor's report was the Directors' report. The remaining other information is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial report does not cover the other information and accordingly, the auditor does not and will not express any form of assurance conclusion thereon, with the exception of the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this other information in the financial report and based on the work we have performed on the other information that we obtained prior to the date of this auditor's report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Mayfield Childcare Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

Melbourne, 15 February 2021

Kenneth Weldin

Partner

Shareholder Information

The shareholder information in this section was applicable as at 8 February 2021.

Number of equity securities

The Company had on issue 32,100,662 fully paid ordinary shares, held by a total of 779 shareholders. There is no on-market buy-back scheme.

Distribution of equity securities

The distribution of equity securities categorised by size of holding is as follows:

Range	Number of holders of ordinary shares
1 to 1,000	123
1,001 to 5,000	268
5,001 to 10,000	125
10,001 to 100,000	227
100,001 and over	36
Total	779

There are 55 security holders holding a total of 9,929 shares in unmarketable parcels (being less than $500) at the ASX closing price of $0.859.

Substantial holders

A person has a substantial holding if, together with their associates, they have relevant interests in voting shares or interests carrying 5% or more of total votes. A substantial shareholder notice must usually be given to the Company, and immediately released to the market, within two business days of a shareholder first becoming, or ceasing to be, a substantial shareholder. Subsequently, substantial shareholder notices are only required for any further movement of a person's holding of at least 1% (up or down). Therefore, due to a shareholder's ability to increase or decrease their holding by up to 1% without notifying the Company, the following substantial shareholder details, representing the most recent substantial shareholder notices received, may not represent the total shareholding of each shareholder as at 8 February 2021:

Holder	Number of shares held	Percentage of total shares on issue
Riversdale Road Shareholding Company Pty Ltd (ATF Riversdale Road Shareholding Trust), J.T. Campbell & Co Pty Ltd, J.T. Campbell Properties Pty Ltd	7,900,000	24.61
D.W. & M.R. Clarke Pty Ltd (ATF D.W. & M.R. Clarke Family Trust)	2,900,000	9.03
Malcolm and June Ross	1,961,392	6.11
Total	12,761,392	39.75

Restricted securities

The are no restricted securities of the Company on issue at the date of this report.

Top 20 Shareholders

The names of the twenty individually largest holders of the Company's quoted shares are as follows:

Registered holder of shares	Number of shares held	% of total shares on issue
RIVERSDALE ROAD SHAREHOLDING COMPANY PTY LTD	3,982,482	12.41
D W & M R CLARKE PTY LTD	3,180,474	9.91
RIVERSDALE ROAD SHAREHOLDING COMPANY PTY LTD	2,638,536	8.22
MALCOLM & JUNE ROSS INVESTMENTS PTY LTD	1,309,267	4.08
JT CAMPBELL PROPERTIES PTY LTD	1,171,319	3.65
NSR INVESTMENTS PTY LTD	1,128,000	3.51
KEWRAY PTY LTD	1,073,159	3.34
J & P CHICK PTY LIMITED	960,000	2.99
TOBAKA PTY LTD	650,860	2.03
DR JEFFREY ERIC DALE CHICK & DR PAMELA HAZEL CHICK	550,300	1.71
KERWAY INVESTMENTS PTY LTD	545,798	1.70
KAMGA PTY LTD	492,145	1.53
MACLAW NO 544 PTY LTD	428,868	1.34
J T CAMPBELL & CO PTY LTD	398,249	1.24
AUSTRALIAN SALES & LEASING PTY LTD	378,763	1.18
NDPM PTY LTD	300,000	0.93
MR WILLIAM ANTHONY ANDREWS	273,100	0.85
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	253,877	0.79
PLUSH NOMINEES PTY LTD	250,000	0.78
COMPANY LOWEGO PTY LTD	200,000	0.62
Total	20,165,197	62.82

Voting rights

The only class of securities issue by the Company is fully paid ordinary shares. 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.

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