

Notice of meeting and explanatory statement

Mayfield Childcare Limited ACN 604 970 390

Date: 10.00am (Melbourne time)

Time: 6 December 2021

Location: This meeting will be conducted as a virtual meeting, accessible online

IMPORTANT INFORMATION REGARDING COVID-19: Due to the COVID-19 pandemic, the Meeting will be held as a virtual meeting. Shareholders will be able to participate in the meeting by:

- 1 voting prior to the meeting by lodging the Proxy Form attached to the Notice by no later than 10.00am (Melbourne time) on 4 December 2021;
- 2 submitting questions in advance of the meeting by emailing the questions to perry@dwaccounting.com.au by no later than 5.00pm (Melbourne time) on 29 November 2021;
- 3 attending the virtual meeting by going to <https://meetings.linkgroup.com/MFDGM21> and entering their details when prompted; and
- 4 asking questions in text format via the online platform or over the telephone line during the virtual meeting (details of which will be provided to Shareholders in a separate correspondence). To ask questions during the Meeting using the telephone facility, you can phone 1800 718 570, or +61 9189 2030 (outside Australia), and use your unique personal identification number (**PIN**). Your unique PIN is required for verification purposes, and may be obtained by contacting Link Market Services Limited on 1800 990 363, or +61 1800 990 363 (outside Australia) by 10.00am (Melbourne time) on 6 December 2021.

For further information, refer to the Virtual Meeting Online Guide available online at <https://www.mayfieldchildcare.com.au>.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER OR NOT TO VOTE IN FAVOUR OF THE RESOLUTIONS. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

All Shareholders should refer to the Independent Expert's Report attached to this Notice. The Independent Expert has concluded that the Acquisition is not fair, but reasonable to non-associated Shareholders of Mayfield for the reasons set out in its report.

1 Important Notices

1.1 General

This Notice of Meeting and explanatory statement is dated 5 November 2021.

This document is important. The explanatory statement provides additional information on matters to be considered at the Meeting and forms part of the Notice of Meeting. You should read this document in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting.

A Proxy Form for the Meeting is also enclosed. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

1.2 Interpretation

Capitalised terms used in the Notice of Meeting are defined in the Glossary at the end of this document, or where the relevant term is first used.

Any documents reproduced in this Notice of Meeting may have their own defined terms, which are sometimes different from those in the Glossary.

All numbers are rounded unless otherwise indicated. A reference to \$ and cents is to Australian currency, unless otherwise stated. All times referred to in this Notice of Meeting are references to the time in Melbourne, Australia, unless otherwise stated.

A reference to a Section is to a section in the Notice of Meeting, unless otherwise stated.

1.3 Responsibility for information

Except as outlined below, the information contained in this Notice of Meeting has been prepared by Mayfield and is its responsibility. Except as outlined below, neither Mayfield nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

The Genius Group has prepared and provided all information relating to the Genius Group set out in Sections 7 and 9.3 of this document and is responsible for that information. Mayfield does not assume any responsibility for the accuracy or completeness of such information.

PKF Melbourne Corporate Pty Ltd has prepared the Independent Expert's Report and takes responsibility for that report. Neither Mayfield, the Genius Group nor any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Mayfield and the Genius Group, in relation to the information that they have provided to the Independent Expert. Shareholders should read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made. The Independent Expert's Report, as it relates to the Placement, assumed an issue price of not less than \$1.00 per Share. Therefore, the Independent Expert's findings as set out in the Independent Expert's Report continue to apply with respect to the actual issue price under the Placement of \$1.05 per Share.

Mayfield is responsible for the balance of this document but accepts no responsibility for any errors, omissions or misstatements in the Notice of Meeting that are attributable to errors, omissions or misstatements in publicly available information or third party sources or otherwise. Subject to the Corporations Act, Mayfield makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

1.4 **ASIC and ASX**

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Notice of Meeting.

1.5 **Forward looking statements**

Some of the statements appearing in this document may be in the nature of forward looking statements. These are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of Mayfield, its directors, officers, or any person named in this document or involved in the preparation of this document, make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document. Mayfield has no obligation to disseminate after the date of this document any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless required under the Corporations Act to update or correct this document or pursuant to Mayfield's continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

1.6 **Privacy and personal information**

Mayfield is required to collect personal information about you in connection with the Transactions and the Meeting. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Meeting. The collection of some of this information is required or authorised to be collected under the Corporations Act.

Information may be disclosed to Mayfield and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Transactions. If the information outlined above is not collected, Mayfield may be hindered in, or prevented from, conducting the Meeting or implementing the Transactions effectively, or at all. If you appoint an individual as your proxy, corporate representative or attorney to vote at the Meeting you should inform that individual of the matters outlined above and that Mayfield has collected their personal information from you.

If you are an individual, you have certain rights to access or correct the personal information collected about you. You may also contact the Share Registry if you wish to exercise those rights to update your personal information held by the Share Registry. Mayfield will otherwise collect, hold, use and disclose your personal information in accordance with Mayfield's Privacy Policy, which sets out how you can access and correct the personal information that Mayfield holds about you and how to lodge a complaint relating to Mayfield's treatment of your personal information (and how Mayfield will deal with your complaint).

1.7 **No financial product advice**

This document is not financial product or investment advice nor is it a recommendation in respect of the Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders and other persons should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation, financial and other advice appropriate to their jurisdiction and circumstances. Mayfield is not licensed to provide financial product advice in respect of the Shares.

1.8 Financial information presentation

Shareholders and investors should be aware that certain financial data included in this Notice of Meeting is 'non-IFRS financial information' under *Regulatory Guide 230 Disclosing non-IFRS financial information*, published by ASIC. Mayfield believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Enlarged Mayfield. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards.

1.9 Director's recommendations

In relation to Resolution 1 (Approval of the issue of Shares under the Placement), the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 2 (Approval for Director participation in the Placement – Dean Clarke and Michelle Clarke), the independent Director (being Peter Lowe) recommends that Shareholders vote in favour of this Resolution.

In relation to Resolution 3 (Approval for Director participation in the Placement – Peter Lowe), the Directors other than Peter Lowe recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 4 (Approval of the issue of Shares under the Acquisition), the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

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Key dates

Date of this Notice of Meeting	5 November 2021
Deadline for receipt of Proxy Form by Mayfield	10.00am (Melbourne time) on 4 December 2021
Record date for determining eligibility to vote at the Meeting	7.00pm (Melbourne time) on 4 December 2021
Time and date of the Meeting	10.00am (Melbourne time) on 6 December 2021
Completion of the Transactions	10 December 2021

The above dates are subject to change and are indicative only. Mayfield reserves the right to vary the dates and times. Any changes to the above timetable will be announced through the ASX companies announcement platform.

Chairman's Letter

5 November 2021

Dear Shareholder,

I am pleased to introduce the Transactions, for your consideration.

The Transactions

On 1 November 2021, Mayfield announced that it had entered into the Share Sale Agreement under which Mayfield has agreed to acquire 100% of the issued share capital of Genius Education for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder.

The Genius Group is a leading Australian-owned childcare and early learning provider that currently owns and operates 30 childcare centres across Queensland, Victoria, New South Wales, South Australia and Western Australia.

As part of the Acquisition and prior to Completion, the Genius Group will undertake a corporate restructure that will result in the transfer of ownership of 14 of its childcare centres (**Acquisition Centres**) from Genius Learning to Genius Education. All of the shares in Genius Education, and therefore ownership of these 14 centres, will then be acquired by Mayfield. As a result of the Acquisition, Genius Education will become a wholly-owned subsidiary of Mayfield. Ownership of the Genius Group's remaining childcare centres will continue to reside solely with Genius Learning.

Subject to Shareholder approval, the Transactions involve:

- Mayfield undertaking a placement to sophisticated, professional and institutional investors (including Mayfield Directors) to raise a total of \$8,000,000 from the issue of 7,619,047 new Shares at \$1.05 per Share (**Placement**);
- Mayfield acquiring 100% of the issued shares in Genius Education for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder (**Acquisition**).

In addition, Mayfield proposes to undertake an offer of new Shares to eligible Mayfield shareholders in Australia and New Zealand (including Mayfield Directors and senior executives) under a share purchase plan to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share (**SPP**).

The consideration payable for the Acquisition is a combination of upfront consideration and potential earn out consideration. The upfront consideration comprises of cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) and the issue of 21,704,347 new Shares.

Under the earn out, the Genius Education Shareholder will, if the actual audited EBITDA of Genius Education for CY22 (pre-AASB 16 *Leases*) is at least \$8,000,000, receive earn out consideration of 1.0x the actual audited EBITDA of Genius Education for CY22.

The earn out consideration will also comprise of cash and the issue of new Shares, with 80% of any earn out consideration being paid in new Shares, subject to a cap on the total number of Shares that may be issued to the Genius Education Shareholder under the earn out of 6,212,331 new Shares.

This means that, on payment of the upfront consideration, the Genius Education Shareholder will acquire a relevant interest in 35.2% of the Shares, which relevant interest may increase to 41.1% of the Shares if the maximum number of Shares able to be issued under the earn out are issued to the Genius Education Shareholder.

The purpose of the Meeting on 6 December 2021 is to seek your approval of the Resolutions relating to the Transactions.

Benefits of the Transactions

The Directors believe that the benefits of the Transactions will include:

- Transformational Acquisition:** The Acquisition significantly broadens and diversifies the scale and size of Mayfield from a relatively small Victorian based operator to a leading Australian childcare operator with a profile of premium centres located in Victoria, Queensland and South Australia. The incremental addition of the EBITDA of Genius Education, which the Genius Education Shareholder estimates will be around \$8 million in CY22, should substantially increase the financial standing and balance sheet strength of the business. When coupled with the Placement, the Board expects the Acquisition to deliver a step change in market capitalisation and an improvement in the liquidity of Shares. The Board also believes that the Transactions provide Mayfield with access to the next scale of (largely institutional) investment, as well as greater flexibility when accessing future acquisition opportunities.
- Premium Acquisition Target:** The Genius Group is an innovative and holistic provider of premium early education for preschool aged children, with a well-respected and recognised national brand, underpinned by market leading educational, operational and marketing practices and strategies. With state-of-art, purpose-built childcare facilities, a diverse and thoughtful curriculum, passionate and highly-skilled educators, the Genius Education centres being acquired by Mayfield are likely to be highly complementary to the existing Mayfield centres, with shared values in the delivery of quality education and care to families, while providing the ability for Mayfield to market a single premium childcare brand across Australia.
- Sector Leading Acquisition Metrics:** In negotiating the Acquisition the Mayfield Board considers it has struck a sound commercial balance between the purchase price multiple of 4.9x (including minimum Earn-Out) and the issue price per Share to the Genius Education Shareholder of \$1.15. While the issue price per Share of \$1.15 does not include any premium for control (note, it is effectively the same price as the 5 day VWAP of Shares as at 11 October 2021, which is \$1.1377), the Mayfield Board has also been able to mitigate a takeover premium being applied to the purchase price multiple. As such the Acquisition has been secured at a relatively low market multiple of 4.9x, which compares favourably to the takeover for Think Childcare Limited which averaged 9.5x EBITDA and, more recently, the acquisition of Affinity Education with a reported EBITDA multiple of 10x.
- Growth Opportunity:** The Incubator Agreement entered into between Mayfield and Genius Learning delivers the opportunity of growth for the Enlarged Mayfield business through the provision of ongoing access (on a non-exclusive basis) to a pipeline of premium, high-performing centres for future acquisition growth and geographical expansion, on a non-exclusive basis. The strategic partnership allows Mayfield to focus on the management and growth of its mature centre base, while leveraging the expertise of the Genius Group in the identification, establishment and trade up of centres, on pre-determined and favourable purchase price multiples of 4.25x forward EBITDA earnings.
- Ease of Integration:** The Transitional Services Agreement to be entered into between Genius Education and Genius Learning will provide Mayfield with a 12 month timeframe (without incurring any professional services fees) to assess the operational model of Genius Education and develop an integration plan so as to establish the most effective and financially efficient operating model for the Enlarged Mayfield. Mayfield can extract the best in market processes and approach to education, curriculum and back end-systems and processes to maximise the growth opportunities going forward, while leveraging the scale of the business to extract economies of scale and synergies that are expected to be delivered over time.

Risks and potential disadvantages associated with the Transactions

It is important to note, as with any acquisition and capital raising, that there are inherent risks associated with the Transactions. The most significant risks and potential disadvantages are outlined in Section 3.4 and summarised in Section 10. I encourage you to read these Sections of this Notice of Meeting thoughtfully and carefully.

Conditions of the Transactions

Shareholders are being asked to approve the Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Transactions to proceed.

Completion is conditional on, among other things:

- completion of the Share Sale Agreement (including the Genius Restructure);
- execution and exchange of the Ancillary Agreements;
- completion of the Placement (but not the SPP);
- any material third party or regulatory approvals or consents (including from third party landlords, ASX and ASIC) reasonably required by Mayfield to be obtained in connection with the acquisition of the shares in Genius Education or the issue of the new Mayfield Shares to the Genius Education Shareholder being obtained; and
- there being no material adverse change in relation to Genius Education or Mayfield prior to Completion.

Independent Expert

The Board has engaged PKF Melbourne Corporate Pty Ltd (**Independent Expert**) for the purposes of preparing an Independent Expert's Report with respect to the Acquisition in accordance with the Corporations Act.

The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition. The Independent Expert has determined that the Acquisition is not fair, but is nevertheless reasonable to non-associated Shareholders of Mayfield.

A copy of the Independent Expert's Report is attached to this Notice of Meeting at Section 14.

Conclusion

Further detailed information about the Resolutions and the Transactions is set out in the enclosed explanatory statement.

Notwithstanding the Independent Expert's finding that the Acquisition is not fair, but reasonable to the non-associated Shareholders of Mayfield, the Directors believe that the benefits of the Transactions outweigh their disadvantages and that the Transactions are in the best interests of Mayfield and Shareholders, in the absence of a superior proposal.

I strongly encourage you to read the full contents of the accompanying documents carefully and participate in the voting process. If you are unable to attend the Meeting, please complete the enclosed Proxy Form and return in in accordance with the instructions on the form.

If you have any questions or queries about this Notice of Meeting or the Transactions, please contact Mayfield's Company Secretary, Andrew Draffin on (03) 8611 5333 for more information. Alternatively, seek independent professional advice on any aspects of which you are not certain.

I look forward to your participation at the Meeting.

If you have any queries regarding your holding of Mayfield shares or other Mayfield Share Registry matters, please contact Link Market Services Limited.

Yours sincerely

Peter Lowe
Chairman
Mayfield Childcare Limited

1 What to do now and how to vote

1.1 What to do now

(a) Carefully read this document

Shareholders are being asked to consider, and if thought fit approve, the Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Transactions to proceed.

This document sets out information about the Transactions and provides Shareholders with the information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting. This information is important.

You should read this document carefully, and in its entirety, before making a decision as to how to vote at the Meeting.

(b) Seek further information if required

If you have any queries about any matter contained in this document please contact Mayfield for more information. Alternatively, seek independent professional advice on any aspects of which you are not certain.

1.2 How to vote

(a) Vote in person

To vote in person, attend the virtual meeting at <https://meetings.linkgroup.com/MFDGM21> at 10.00am (Melbourne time) on 6 December 2021.

(b) Vote by proxy

If you are not able to attend the Meeting, please complete and sign the Proxy Form enclosed with the Notice of Meeting as soon as possible.

To complete the Proxy Form, record your vote on the Proxy Form in relation to each of the Resolutions to be considered at the Meeting as follows:

- if you wish to approve the Resolution, place a cross (X) in the space provided under the word 'FOR' in respect of that Resolution;
- if you do not wish to approve the Resolution, place a cross (X), in the space provided under the word 'AGAINST' in respect of that Resolution; and
- if you do not wish to vote in respect of the Resolution, place a cross (X) in the space provided under the word 'ABSTAIN' in respect of that Resolution.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by Mayfield, at least 48 hours before the time for holding the Meeting (ie, by no later than 10.00am (Melbourne time) on 4 December 2021):

- (i) by mail: Mayfield Childcare Limited, PO Box 253, Collins Street West, VIC 8007; or
- (ii) by email: perry@dwaccounting.com.au

Proxies given by corporate Shareholders must be executed in accordance with their constitutions or under the hand of a duly authorised attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or Mayfield's constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as they think fit.

If a Shareholder appoints the Chairman as the Shareholder's proxy and does not specify how the Chairman is to vote on an item of business, the Chairman will vote, as proxy for that Shareholder, in favour of the item on a poll.

(c) **Vote by corporate representatives**

Corporate Shareholders, or proxies wishing to vote by corporate representative, should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received by Mayfield before the start or resumption of the Meeting at which the representative is to vote, in person or by post in the reply paid envelope provided.

(d) **Vote through broker or nominees**

If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.

(e) **Scrutineer**

Mayfield's registrar, Link Market Services Limited will act as scrutineer for any polls that may be required at the Meeting.

2 Important information about the Transactions

This Section provides a summary of important information about the Transactions, the Resolutions and information on how to vote at the Meeting. This Section also highlights key information about Mayfield, Genius Education and the Enlarged Mayfield, and explains where you can find more detailed information about the Transactions within the Notice of Meeting. This Section should be read in conjunction with the entire Notice of Meeting before you decide how to vote on the Resolutions.

Information about the Transactions

What are the Transactions?

On 1 November 2021, Mayfield announced that it had entered into the Share Sale Agreement under which Mayfield has agreed to acquire 100% of the issued share capital of Genius Education for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder.

Subject to Shareholder approval, the Transactions involve:

- Mayfield undertaking a placement to sophisticated, professional and institutional investors (including Mayfield Directors) to raise a total of \$8,000,000 from the issue of up to 7,619,047 Shares at \$1.05 per Share (**Placement**); and
- Mayfield acquiring 100% of the issued shares in Genius Education for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder (**Acquisition**).

As a result of the Transactions, Genius Education will become a wholly-owned subsidiary of Mayfield.

In addition, Mayfield is also undertaking an offer of new Shares to eligible Mayfield shareholders in Australia and New Zealand (including Mayfield Directors and senior executives) under a share purchase plan to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share.

What is the consideration Mayfield has agreed to pay under the Acquisition?

Subject to Shareholder approval, Mayfield is acquiring 100% of the issued shares in Genius Education from the Genius Education Shareholder for the following consideration:

- at Completion, cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) and 21,704,347 ordinary shares in Mayfield at \$1.15 per Share (**Tranche 1**); and
- cash and additional new ordinary shares in Mayfield (to a maximum of 6,212,331 new Shares) at \$1.15 per Share subject to achievement of an agreed forecast EBITDA target

amount of at least \$8,000,000 for Genius Education for the 12 months ending 31 December 2022 (**Tranche 2**).

What is the Base Consideration Mayfield has agreed to pay under the Acquisition?

Under Tranche 1, Mayfield has agreed to pay the Genius Education Shareholder consideration equal to \$31,200,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) (**Base Consideration**).

The Base Consideration is payable as follows:

- cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) (**Base Cash Consideration**); and
- \$24,960,000 in fully paid ordinary shares in Mayfield, at a share price of \$1.15 per Share, being 21,704,347 Shares (**Base Consideration Shares**).

The issue price of \$1.15 per Share (**Mayfield Share Issue Price**) compares favourably to the following:

- 5 day VWAP of Shares of \$1.1377 ending on 11 October 2021;
 - 20 day VWAP of Shares of \$1.1166 ending on 11 October 2021; and
 - 30 day VWAP of Shares of \$1.1109 ending on 11 October 2021.
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What is the Earn Out Consideration Mayfield has agreed to pay under the Acquisition?

Under Tranche 2, if the EBITDA of Genius Education meets or exceeds the actual audited CY22 EBITDA target amount of at least \$8,000,000, the Genius Education Shareholder will be entitled to total earn out consideration equal to 1.0x the actual audited CY22 EBITDA of Genius Education (**Earn Out Consideration**).

The Earn Out Consideration is payable as follows:

- the number of Mayfield Shares to be issued as part of the Earn Out Consideration is the lesser of an amount of Mayfield Shares that is equal to:
 - 80% of the actual audited CY22 EBITDA of Genius Education divided by the Mayfield Share Issue Price; and
 - 6,212,331 new Shares (**Maximum Earn Out Shares**) issued at the Mayfield Share Issue Price; and
 - the amount of cash payable as part of the Earn Out Consideration is the total Earn Out Consideration less the amount of Earn Out Consideration payable in Shares, as set out above (**Earn Out Cash Consideration**).
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What is EBITDA in the context of the Acquisition and how is it calculated?

As noted above, the Genius Education Shareholder's entitlement to the Earn Out Consideration is based on Genius Education achieving an agreed amount of EBITDA for CY22, being \$8,000,000.

The EBITDA of a business is its earnings before interest, tax, depreciation and amortisation. It is important to note that in the context of the Acquisition, the target EBITDA of \$8,000,000 for Genius Education for CY22 excludes the impact of AASB 16 *Leases*.

The Board considers that a pre-AASB 16 *Leases* EBITDA based target for determination of whether the Earn Out Consideration is payable is appropriate (compared to a purely statutory based EBITDA) due to the following:

- it is industry practice within the childcare sector that financial performance and financial position reporting is on an underlying basis, as property rent costs form a significant proportion of centre operating costs;
- childcare centre acquisitions are typically made based on a multiple of forecast future centre EBITDA, inclusive of property rent costs; and
- the application of accounting standard AASB 16 *Leases* has no implication for the liquidity of, nor economic impact upon, Mayfield's business.

What is the likelihood of the target EBITDA amount of at least \$8,000,000 being achieved?

Mayfield and the Genius Education Shareholder have agreed that the target EBITDA for Genius Education for CY22 in order for the Earn Out Consideration to be payable is \$8,000,000.

This amount is an aspirational target, which Mayfield considers can only be achieved if the Genius Education business performs extremely well, but which Mayfield also considers is a fair and achievable target. In this way, the Board considers that the target EBITDA strikes an appropriate balance – it provides a real incentive to the Genius Education Shareholder with respect to the performance of the Acquisition Centres in CY22, but without the added risk for underperformance which may exist if the EBITDA target were pitched at a considerably lower amount (and therefore, easily achievable) or a considerably higher amount (and therefore, effectively unattainable).

If the earn out target is achieved such that an amount of \$8,000,000 is payable to the Genius Education Shareholder as Earn Out Consideration then this would result in the total price payable by Mayfield to acquire Genius Education as being equal to \$39,200,000. The Board notes that this is clearly within the enterprise value range of Genius Education as assessed by the Independent Expert (which range is between \$33,750,000 and \$46,750,000).

What is Mayfield acquiring under the Acquisition?

Mayfield is acquiring all of the shares in Genius Education and therefore all of the assets and trading liabilities of Genius Education.

The assets of Genius Education will include 14 childcare centres located in Queensland, Victoria and South Australia that will be

	owned and operated by Genius Education following the Genius Restructure.
Is Mayfield acquiring the entire Genius Group?	<p>No, Mayfield is only acquiring Genius Education.</p> <p>As part of the Acquisition and prior to Completion, the Genius Group will undertake a corporate restructure that will result in the transfer of ownership of 14 of its childcare centres from Genius Learning to Genius Education. These 14 centres currently operate under a premium brand, in high density locations with overall average occupancy of 74%.</p> <p>Ownership of the Genius Group's remaining childcare centres will continue to reside solely with Genius Learning.</p>
What are the conditions to the Transactions being completed?	<p>Completion is conditional on, among other things:</p> <ul style="list-style-type: none"> • completion of the Share Sale Agreement (including the Genius Restructure); • execution and exchange of the Ancillary Agreements; • completion of the Placement (but not the SPP); • any material third party or regulatory approvals or consents (including from third party landlords, ASX and ASIC) reasonably required by Mayfield to be obtained in connection with the acquisition of the shares in Genius Education or the issue of the new Mayfield Shares to the Genius Education Shareholder being obtained; and • there being no material adverse change in relation to Genius Education or Mayfield prior to Completion. <p>See Section 11.1 for a summary of the key terms and conditions of the Share Sale Agreement, including the conditions precedent to Completion occurring.</p>
What will happen to my Shares if the Transactions proceed?	<p>Nothing will happen to the Shares held by existing Shareholders under the Transactions, except that their proportionate ownership of Mayfield will be diluted by the issue of new Shares under the Transactions.</p> <p>See Section 8.6 for the dilutionary impact the Transactions will have on existing Shareholders.</p>
How will the structure of Mayfield's ownership change if the Transactions proceed?	<p>Following completion of the Transactions, the Genius Education Shareholder will hold approximately 35.2% of the Shares in Mayfield.</p> <p>In addition, in the event that the Maximum Earn Out Shares are issued under Tranche 2, the Genius Education Shareholder will hold approximately 41.1% of the Shares in Mayfield.</p> <p>See Section 8.5 for further information on the structure of Mayfield's ownership.</p>

Will there be management changes if the Transactions proceed?	All existing members of Mayfield's senior management will retain their existing roles after implementation of the Transactions.
Will Mayfield remain listed on ASX if the Transactions proceed?	Yes, Mayfield will remain listed on ASX after Completion.
Will the Shares issued under the Transactions be escrowed?	<p>Yes, the Genius Education Shareholder has agreed to enter into a voluntary escrow deed restricting the disposal of any interest in any of the Mayfield Shares to be issued to it under Tranche 1 and 50% of the Mayfield Shares to be issued to it under Tranche 2 (Escrowed Shares).</p> <p>The Escrowed Shares will be escrowed for a period of 24 months from Completion unless the actual audited CY22 EBITDA is achieved, in which case 50% of the Mayfield Shares issued to the Genius Education Shareholder under Tranche 1 will be released from escrow.</p> <p>This escrow arrangement is subject to Mayfield obtaining appropriate relief from ASIC. Mayfield has made an application to ASIC for the requested relief and expects to receive this before the Meeting.</p> <p>The Placement Shares and the SPP Shares will not be subject to any escrow arrangement.</p> <p>See Section 8.13 for further information on the escrow arrangements with the Genius Education Shareholder.</p>
What will happen if the Transactions do not proceed?	<p>If the Resolutions are not passed by Shareholders, or the other conditions are not satisfied or waived, the Transactions will not proceed.</p> <p>If the Transactions do not proceed, Mayfield will not acquire Genius Education and no new Shares will be issued under the Acquisition, the Placement or the SPP.</p> <p>In those circumstances, the Board intends to continue to focus on Mayfield's existing business of owning and operating childcare centres in Victoria.</p>
Information about the Placement	
What is the Placement?	<p>The Placement is being made to sophisticated, professional and institutional investors (including Mayfield Directors).</p> <p>Mayfield expects to raise a total of \$8,000,000 from the issue of 7,619,047 new Shares at \$1.05 per Share under the Placement.</p>
How will the proceeds of the Placement be used?	The funds raised from the Placement will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions.

Will I be able to participate in the Placement?	No. Firm commitments for all of the funds to be raised under the Placement have already been received.
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What are the conditions to the Placement taking effect?	The Placement is conditional on the Resolutions being passed by the Shareholders at the Meeting and the conditions precedent under the Share Sale Agreement being satisfied or waived.
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Information about the SPP

What is the SPP?	Mayfield is undertaking an offer of new Shares to eligible Mayfield shareholders in Australia and New Zealand (including Mayfield Directors and senior executives) under a share purchase plan to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share.
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How will the proceeds of the SPP be used?	The funds raised from the SPP will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions.
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Will I be able to participate in the SPP?	Yes, if you are an eligible Mayfield shareholder in Australia and New Zealand you will be able to participate in the SPP. A separate SPP offer booklet is being prepared and will be made available to Shareholders shortly.
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What are the conditions to the SPP taking effect?	The SPP is conditional on the Resolutions being passed by the Shareholders at the Meeting and the conditions precedent under the Share Sale Agreement being satisfied or waived.
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Highlights of the Transactions

Reasons to vote in favour of the Transactions	<p>The Directors believe that the benefits of the Transactions will include:</p> <ul style="list-style-type: none"> Transformational Acquisition: The Acquisition significantly broadens and diversifies the scale and size of Mayfield from a relatively small Victorian based operator to a leading Australian childcare operator with a profile of premium centres located in Victoria, Queensland and South Australia. The incremental addition of the EBITDA of Genius Education, which the Genius Education Shareholder estimates will be around \$8 million in CY22, should substantially increase the financial standing and balance sheet strength of the business. When coupled with the Placement, the Board expects the Acquisition to deliver a step change in market capitalisation and an improvement in the liquidity of Shares. The Board also believes that the Transactions provide Mayfield with access to the next scale of (largely institutional) investment, as well as greater flexibility when accessing future acquisition opportunities. Premium Acquisition Target: The Genius Group is an innovative and holistic provider of premium early education for preschool aged children, with a well-respected and
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recognised national brand, underpinned by market leading educational, operational and marketing practices and strategies. With state-of-art, purpose-built childcare facilities, a diverse and thoughtful curriculum, passionate and highly-skilled educators, the Genius Education centres being acquired by Mayfield are likely to be highly complementary to the existing Mayfield centres, with shared values in the delivery of quality education and care to families, while providing the ability for Mayfield to market a single premium childcare brand across Australia.

- **Sector Leading Acquisition Metrics:** In negotiating the Acquisition the Mayfield Board considers it has struck a sound commercial balance between the purchase price multiple of 4.9x (including minimum Earn-Out) and the issue price per Share to the Genius Education Shareholder of \$1.15. While the issue price per Share of \$1.15 does not include any premium for control (note, it is effectively the same price as the 5 day VWAP of Shares as at 11 October 2021, which is \$1.1377), the Mayfield Board has also been able to mitigate a takeover premium being applied to the purchase price multiple. As such the Acquisition has been secured at a relatively low market multiple of 4.9x, which compares favourably to the takeover for Think Childcare Limited which averaged 9.5x EBITDA and, more recently, the acquisition of Affinity Education with a reported EBITDA multiple of 10x.
 - **Growth Opportunity:** The Incubator Agreement entered into between Mayfield and Genius Learning delivers the opportunity of growth for the Enlarged Mayfield business through the provision of ongoing access (on a non-exclusive basis) to a pipeline of premium, high-performing centres for future acquisition growth and geographical expansion. The strategic partnership allows Mayfield to focus on the management and growth of its mature centre base, while leveraging the expertise of the Genius Group in the identification, establishment and trade up of centres, on pre-determined and favourable purchase price multiples of 4.25x forward EBITDA earnings.
 - **Ease of Integration:** The Transitional Services Agreement to be entered into between Genius Education and Genius Learning will provide Mayfield with a 12 month timeframe (without incurring any professional services fees) to assess the operational model of Genius Education and develop an integration plan so as to establish the most effective and financially efficient operating model for the Enlarged Mayfield. Mayfield can extract the best in market processes and
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approach to education, curriculum and back end-systems and processes to maximise the growth opportunities going forward, while leveraging the scale of the business to extract economies of scale and synergies that are expected to be delivered over time.

The Board is of the opinion that the opportunity presented under the Transactions represents an opportunity that is in the best interests of current shareholders of Mayfield.

See Section 3.3 for more detailed information on potential benefits of the Transactions and the Enlarged Mayfield.

For further information in relation to the existing operations of Mayfield and Genius Education refer to Sections 6 and 7 respectively.

Potential reasons to vote against the Transactions

As a Shareholder, you may form the view that the Transactions as currently proposed and structured are not in your best interests.

You may want to maintain your current investment profile. The profile, capital structure and size of the Enlarged Mayfield will be significantly different from that of Mayfield as it currently stands. Some Mayfield Shareholders may prefer to continue to invest in a listed company with the specific characteristics, operational focus and scale of the current Mayfield, and do not seek an exposure to the business of Genius Education.

As a Shareholder, you may not agree with the value attributed to Genius Education or Mayfield by the Transactions.

If the Transactions are implemented, your proportionate shareholding in Mayfield will be diluted. As a Shareholder, you may not want your proportionate ownership of Mayfield to be diluted in this way.

See Sections 3.4 and 10 for more information on significant risks and potential disadvantages associated with the Transactions and the Enlarged Mayfield.

What is the Independent Expert's recommendation?

The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition. The Independent Expert has determined that the Acquisition is not fair, but reasonable to the non-associated Shareholders of Mayfield.

See Section 14 for a copy of the Independent Expert's Report.

What are the recommendations of the Directors?

Notwithstanding the Independent Expert's finding that the Acquisition is not fair, but reasonable to the non-associated Shareholders of Mayfield, the Directors believe that the benefits of the Transactions outweigh their disadvantages and that the Transactions are in the best interests of Mayfield and Shareholders, in the absence of a superior proposal.

In relation to Resolution 1 (Approval of the issue of Shares under the Placement), the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 2 (Approval for Director participation in the Placement – Dean Clarke and Michelle Clarke), the independent Director (being Peter Lowe) recommends that Shareholders vote in favour of this Resolution.

In relation to Resolution 3 (Approval for Director participation in the Placement – Peter Lowe), the Directors other than Peter Lowe recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 4 (Approval of the issue of Shares under the Acquisition), the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

Key information about Mayfield, Genius Education and the Enlarged Mayfield

What is the Enlarged Mayfield?

The Enlarged Mayfield will be created on Completion and the scale of Mayfield's existing operations will be materially expanded as a consequence of Completion occurring.

As a result of the Acquisition, Genius Education will become a wholly-owned subsidiary of Mayfield.

The Enlarged Mayfield will comprise 36 childcare centres diversified across the following jurisdictions:

- Victoria – 27 childcare centres;
- Queensland – 8 childcare centres; and
- South Australia – 1 childcare centre.

The Board believes that the Acquisition will provide a material increase in both the size and scale of Mayfield's operations and increased profitability for the integrated group.

The prominent position already held by Genius Education in the Australian childcare industry, when added to Mayfield's existing operations and strategic opportunities, should deliver synergistic benefits for the integrated group where the combined value exceeds the sum of its parts. These include:

- enhancing Mayfield's ability to market itself as a leading Australian childcare operator with significant scale and a portfolio of highly complementary childcare centres;
- the creation of the incubator partnership (on a non-exclusive basis), which provides an ability to produce a tailored growth pipeline of high performing childcare centres for the future growth of the Enlarged Mayfield;

	<ul style="list-style-type: none"> • increased buying power and enhanced operating efficiencies through the centralisation of operations; and • an expanded portfolio of childcare centre brands (ie, 'Genius'), targeted at different market segments and the ability to leverage the Genius Group's expertise to integrate its innovative and accredited curriculums into Mayfield's childcare centres.
What will be the strategy of the Enlarged Mayfield?	Following Completion, Mayfield and Genius Education will focus on the management and operation of the Enlarged Mayfield's portfolio of 36 childcare centres around Australia.
What are the key risks for the Enlarged Mayfield?	<p>There are a number of risks associated with the Enlarged Mayfield that may affect its financial performance, financial position, cash flows, distributions, growth prospects and share price. The following are some of the specific key risks to which the Enlarged Mayfield is exposed:</p> <ul style="list-style-type: none"> • contractual risk; • reliance risk; • risk of high volume of Share sales; • Genius Education's current operations; • integration risk; • concentration of shareholding; • COVID-19 pandemic; • changes in laws and regulations; • government funding changes; • registration, assessment and regulation risk; • occupancy; • competition risk; and • key personnel risk. <p>See Section 10 for more detailed information on key risks for the Enlarged Mayfield.</p>
What is the Enlarged Mayfield's aggregated historical performance?	Section 9.3 contains a summary of financial information in relation to the Enlarged Mayfield.
Where can I find more financial information about the Enlarged Mayfield?	<p>Section 9.3 contains a summary of financial information in relation to the Enlarged Mayfield.</p> <p>Significant accounting policies upon which that information is based are included in Sections 9.2 and 9.3.</p>
Who will sit on the board of the Enlarged Mayfield after the Transactions is completed?	<p>On Completion, the board of Mayfield will comprise:</p> <ul style="list-style-type: none"> • Peter Lowe – Chairman and Non-Executive Director; • Dean Clarke – Chief Executive Officer and Executive Director; • Michelle Clarke – Executive Director; • Lubna Matta – Proposed Non-Executive Director; and

- David Niall – Proposed Non-Executive Director.

Subject to Completion, the Genius Education Shareholder is entitled to nominate two directors to the Mayfield Board. The Genius Education Shareholder has nominated Lubna Matta and David Niall (**Proposed Directors**).

See profiles of each of the Proposed Directors in Section 4.11.

Who will manage the Enlarged Mayfield after the Transactions is completed?

The senior management team of the Enlarged Mayfield will not change and will continue to include:

- Dean Clarke – CEO;
- Glenn Raines – CFO;
- Michelle Clarke – Quality Improvement Advisor; and
- Ellen Porter – National Operations Manager.

What significant benefits are payable to the Directors and other persons connected to the Transactions?

No fees or benefits have been given or agreed to be given to the Directors, Proposed Directors or senior management of Mayfield in connection with the Transactions.

Information about Shareholder approvals required for the Transactions

Why is Shareholder approval required for the Transactions?

Resolution 1:

The Resolution seeks the approval of the Shareholders to the issue of new Mayfield Shares under the Placement for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that an ASX listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue securities if the number of securities issued, when aggregated with the number of securities issued by the company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period. Under ASX Listing Rule 7.1A, eligible ASX listed companies have the opportunity to extend their placement capacity to 25% in a 12 month period, with shareholder approval. Mayfield obtained such approval at its Annual General Meeting held on 31 March 2021.

The Placement Shares will exhaust Mayfield's existing placement capacity under ASX Listing Rules 7.1 and 7.1A. It is for this reason that Shareholder approval for the purposes of ASX Listing Rule 7.1 is sought.

ASX Listing Rule 7.3 requires the following information in relation to Resolution 1 to be provided:

Participants	Sophisticated, professional and institutional investors (including Mayfield Directors)
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Number of Shares to be issued	7,619,047
The date by which the Shares will be issued	10 December 2021
Issue price	\$1.05 per Share
Terms	The new Shares will rank equally in all respects with the existing Shares on issue
Voting exclusion statement	A voting exclusion statement is set out in the Notice of Meeting for Resolution 1
Use of funds	The funds raised from the Placement will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions

Resolutions 2 and 3:

The Resolutions seek the approval of the Shareholders to the issue of new Mayfield Shares to Directors under the Placement for the purposes of ASX Listing Rule 10.11.

ASX Listing Rule 10.11 provides that an ASX listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue equity securities to a related party.

The Shares to be issued to each of the Directors the subject of Resolutions 2 and 3 requires shareholder approval under ASX Listing Rule 10.11 as each of the Directors are related parties of Mayfield for the purposes of the ASX Listing Rules.

ASX Listing Rule 10.13 requires the following information in relation to Resolutions 2 and 3 to be provided:

	Resolution 2	Resolution 3
Name of person being issues Shares	Dean Clarke and Michelle Clarke (or their nominee)	Peter Lowe (or his nominee)
Category the person falls within in ASX Listing Rule 10.11	Both are a related party by virtue of being a Director	A related party by virtue of being a Director
Maximum number of Shares to be issued	95,238	66,666

The date by which the Shares will be issued	10 December 2021	10 December 2021
Issue price	\$1.05 per Share	\$1.05 per Share
Terms	The new Shares will rank equally in all respects with the existing Shares on issue	
Voting exclusion statement	A voting exclusion statement is set out in the Notice of Meeting for Resolutions 2 and 3	
Use of funds	The funds raised from the issue of Shares to the Directors are part of the total funds being raised under the Placement. The funds raised from the Placement will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions	

Resolution 4:

The Resolution seeks the approval of the Shareholders to the acquisition of new Mayfield Shares by the Genius Education Shareholder for the purposes of Chapter 6 of the Corporations Act.

Pursuant to section 606 of the Corporations Act, a person must not acquire shares in an ASX listed company if it causes their voting power in the company to increase from 20% or below to more than 20% or from a starting point that is above 20% and below 90%, unless certain limited exceptions apply.

Under item 7 of section 611 of the Corporations Act, an acquisition previously approved by a resolution passed at a general meeting of the listed company is exempt from the prohibition in section 606.

Resolution 4 seeks approval for the issue of 21,704,347 Shares under Tranche 1 and the issue of up to an additional 6,212,331 Shares under Tranche 2 to the Genius Education Shareholder under the Share Sale Agreement.

If Shareholders vote in favour of the Resolutions, and Completion occurs, then upon completion of the Transactions, approximately 35.2% of the Shares of Mayfield will be held by the Genius Education Shareholder.

If an earn out is achieved resulting in the Maximum Earn Out Shares being issued to the Genius Education Shareholder and there are no additional Mayfield Shares issued following completion of the issue of the Tranche 1 Shares and the Placement Shares, then the Genius Education Shareholder's holding in Mayfield following the issue of the Maximum Earn Out Shares will be approximately 41.1% of the Shares of Mayfield.

As the issue of new Shares to the Genius Education Shareholder under Tranche 1 will result in the Genius Education Shareholder's

shareholding in Mayfield increasing from 0% to 35.2%, Shareholder approval is required under the Corporations Act.

As the issue of new Shares to the Genius Education Shareholder under Tranche 2 may result in the Genius Education Shareholder's shareholding in Mayfield increasing from 35.2% to as much as 41.1%, Shareholder approval is also required under the Corporations Act.

The Resolution seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act to the acquisition of new Mayfield Shares by the Genius Education Shareholder under the Share Sale Agreement.

What am I being asked to vote on?

Shareholders are being asked to vote on the Resolutions, which provide the following approvals:

Resolution 1: The shareholders of Mayfield approve and agree to the issue of up to 7,619,047 Shares to sophisticated, professional and institutional investors under the Placement at an issue price of \$1.05 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 7.1 and for all other purposes.

Resolution 2: The shareholders of Mayfield approve and agree to the issue of 95,238 Shares to Dean Clarke and Michelle Clarke (or their nominee), Directors of Mayfield, under the Placement at an issue price of \$1.05 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 10.11 and for all other purposes.

Resolution 3: The shareholders of Mayfield approve and agree to the issue of 66,666 Shares to Peter Lowe (or his nominee), a Director of Mayfield, under the Placement at an issue price of \$1.05 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 10.11 and for all other purposes.

Resolution 4: The shareholders of Mayfield approve and agree to:

- the issue of 21,704,347 Shares to the Genius Education Shareholder under Tranche 1 in the Share Sale Agreement, at an issue price of \$1.15 per Share; and
- the issue of up to an additional 6,212,331 Shares to the Genius Education Shareholder under Tranche 2 in the Share Sale Agreement, at an issue price of \$1.15 per Share,

on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes.

What are the voting intentions of the Chairman as proxy?

The Mayfield Chairman, Peter Lowe, intends to vote all undirected proxies over which he has control in favour of the Resolutions, in the absence of a superior proposal.

When and where will the Meeting be held?	The Meeting will take place as a virtual meeting at https://meetings.linkgroup.com/MFDGM21 at 10.00am (Melbourne time) on 6 December 2021.
What are the voting approval thresholds for the Resolutions?	<p>Each of the Resolutions is an ordinary resolution, requiring simple majority approval. This means that more than 50% of the votes cast on each of the Resolutions, respectively, by Shareholders who are eligible to vote on the Resolution must be cast in favour of the Resolution in order for it to be passed.</p> <p>See the Notice of Meeting for further information.</p>
Are the Resolutions inter-conditional?	<p>Each of the Resolutions is conditional on each other being passed. That is, neither the issue of Shares under the Acquisition nor the issue of Shares under the Placement will proceed unless all Resolutions are passed. That is, the issue of Shares under the Acquisition and the Placement will proceed, or neither will proceed.</p> <p>The issue of Shares under the SPP, which does not require Shareholder approval, will not proceed if the Resolutions are not passed.</p>
Who is eligible to vote on the Resolutions?	<p>In accordance with Regulation 7.11.37 of the <i>Corporations Regulations 2001</i> (Cth), the Board has determined that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded in Mayfield's share register at 7.00pm (Melbourne time) on 4 December 2021.</p> <p>See the Notice of Meeting for further information.</p>
Is voting compulsory?	<p>Voting is not compulsory. However, your vote is important.</p> <p>If you cannot attend the Meeting you are strongly encouraged to complete and return the Proxy Form that is enclosed with the Notice of Meeting.</p> <p>If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.</p> <p>If you require any assistance in completing or lodging your proxy form, please contact the Share Registry on +61 1300 554 474 or contact your legal, financial or other professional advisor.</p>
Transaction timetable	

Further information, including financial information

Where can I find more information about the Genius Group and Genius Education, including financial information?	<p>Please see Section 7 for information about the Genius Group (including Genius Education).</p> <p>Please see Section 9.3 for historical financial information about Genius Education.</p>
Where can I find more information about Mayfield and the Enlarged Mayfield, including financial information?	<p>Please see Section 6 for information about Mayfield.</p> <p>Please see Section 9.3 for historical financial information about Mayfield and pro forma financial information about the Enlarged Mayfield.</p>
What should I do if I have further questions about the Transactions?	<p>If you have any queries about any matter contained in this document please contact Mayfield's Company Secretary Andrew Draffin on (03) 8611 5333 for more information or alternatively seek independent professional advice on any aspects of which you are not certain.</p>

3 Rationale for Transactions

This Section 3 sets out the recommendation of the Directors in respect of the Acquisition. It also includes an overview of the Independent Expert's opinion on the fairness and reasonableness of the Acquisition and Mayfield's strategic rationale for the Transactions. This Section 3 also sets out some potential disadvantages associated with the acquisition of Genius Education and the Enlarged Mayfield.

3.1 Overview of Transactions

On 1 November 2021, Mayfield announced that it had entered into the Share Sale Agreement under which Mayfield has agreed to acquire 100% of the issued share capital of Genius Education from the Genius Education Shareholder for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder.

Subject to Shareholder approval, the Transactions involve:

- Mayfield undertaking a placement to sophisticated, professional and institutional investors to raise a total of \$8,000,000 from the issue of 7,619,047 new Shares at \$1.05 per Share (**Placement**);
- Mayfield acquiring 100% of the issued shares in Genius Education from the Genius Education Shareholder for a combination of cash consideration and the issue of Shares to the Genius Education Shareholder (**Acquisition**). The consideration payable to the Genius Education Shareholder comprises:
 - upfront consideration of cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees, plus or minus adjustments on account of certain prepayments and outgoings) and the issue of 21,704,347 new Shares at an issue price of \$1.15 per Share; and
 - potential earn out consideration, which is payable if the actual audited EBITDA of Genius Education for CY22 is at least \$8,000,000. In this event, the earn out consideration payable to the Genius Education Shareholder is equal to 1.0x the actual audited EBITDA of Genius Education for CY22. The earn out consideration will also comprise of cash and the issue of new Shares, with 80% of any earn out consideration being paid in new Shares, subject to a cap on the total number of Shares that may be issued the Genius Education Shareholder under the earn out of 6,212,331 new Shares at an issue price of \$1.15 per Share; and
- This means that, on payment of the upfront consideration, the Genius Education Shareholder will acquire a relevant interest in 35.2% of the Shares, which relevant interest may increase to as much as 41.1% of the Shares if the maximum number of Shares able to be issued under the earn out are issued to the Genius Education Shareholder.

As a result of the Transactions, Genius Education will become a wholly-owned subsidiary of Mayfield.

In addition, Mayfield is also undertaking an offer of new Shares to eligible Mayfield shareholders in Australia and New Zealand under a share purchase plan to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share (**SPP**).

3.2 Overview of the Acquisition

As at the date of this Notice of Meeting, the Genius Group is the owner of 30 childcare centres.

As part of the Acquisition and prior to Completion, the Genius Group will undertake a corporate restructure that will result in the transfer of ownership of 14 of its childcare centres (**Acquisition Centres**) from Genius Learning to Genius Education. The Acquisition Centres currently operate under a premium brand, in high density locations with overall average occupancy of 74%. Ownership of the Genius Group's remaining childcare centres will continue to reside solely with Genius Learning.

The Acquisition Centres are located at:

- 27 Ross Street, Allentown, Queensland, 4700;

- 83 Loridan Drive, Brinsmead, Queensland, 4870;
- 1A Bernard Street, Cheltenham, Victoria, 3192;
- 2-4 Evergreen Street, Clifton Beach, Queensland, 4879;
- Level 1, 800 Berwick Cranbourne Road, Clyde North, Victoria, 3978;
- 16-18 Harry Vallence Drive, Maddingley, Victoria, 3340;
- 3-5 Bathurst Street, Mooroolbark, Victoria, 3138;
- 653-661 Norman Road, Rockhampton, Queensland, 4701;
- 205 Onkaparinga Valley Road, Oakbank, South Australia, 5243;
- 121 Shute Harbour Road, Cannonvale, Queensland, 4802;
- 5-7 Sunderland Court, Seaford, Victoria, 3198;
- 9 Brose Street, White Rock, Queensland, 4868;
- 2-6 Fretwell Road, White Rock, Queensland, 4686; and
- 353 Stuart Drive, Wulguru, Queensland, 4811.

Further information on the Genius Group is outlined in Section 7.

3.3 Benefits of the Transactions

The Directors believe that the benefits of the Transactions will include:

- **Transformational Acquisition:** The Acquisition significantly broadens and diversifies the scale and size of Mayfield from a relatively small Victorian based operator to a leading Australian childcare operator with a profile of premium centres located in Victoria, Queensland and South Australia. The incremental addition of the EBITDA of Genius Education, which the Genius Education Shareholder estimates will be around \$8 million in CY22, should substantially increase the financial standing and balance sheet strength of the business. When coupled with the Placement, the Board expects the Acquisition to deliver a step change in market capitalisation and an improvement in the liquidity of Shares. The Board also believes that the Transactions provide Mayfield with access to the next scale of (largely institutional) investment, as well as greater flexibility when accessing future acquisition opportunities.
- **Premium Acquisition Target:** The Genius Group is an innovative and holistic provider of premium early education for preschool aged children, with a well-respected and recognised national brand, underpinned by market leading educational, operational and marketing practices and strategies. With state-of-art, purpose-built childcare facilities, a diverse and thoughtful curriculum, passionate and highly-skilled educators, the Genius Education centres being acquired by Mayfield are likely to be highly complementary to the existing Mayfield centres, with shared values in the delivery of quality education and care to families, while providing the ability for Mayfield to market a single premium childcare brand across Australia.
- **Sector Leading Acquisition Metrics:** In negotiating the Acquisition the Mayfield Board considers it has struck a sound commercial balance between the purchase price multiple of 4.9x (including minimum Earn-Out) and the issue price per Share to the Genius Education Shareholder of \$1.15. While the issue price per Share of \$1.15 does not include any premium for control (note, it is effectively the same price as the 5 day VWAP of Shares as at 11 October 2021, which is \$1.1377), the Mayfield Board has also been able to mitigate a takeover premium being applied to the purchase price multiple. As such the Acquisition has been secured at a relatively low market multiple of 4.9x, which compares favourably to the takeover for Think Childcare Limited which averaged 9.5x EBITDA and, more recently, the acquisition of Affinity Education with a reported EBITDA multiple of 10x.

- **Growth Opportunity:** The Incubator Agreement entered into between Mayfield and Genius Learning delivers the opportunity of growth for the Enlarged Mayfield business through the provision of ongoing access (on a non-exclusive basis) to a pipeline of premium, high-performing centres for future acquisition growth and geographical expansion. The strategic partnership allows Mayfield to focus on the management and growth of its mature centre base, while leveraging the expertise of the Genius Group in the identification, establishment and trade up of centres, on pre-determined and favourable purchase price multiples of 4.25x forward EBITDA earnings.
- **Ease of Integration:** The Transitional Services Agreement to be entered into between Genius Education and Genius Learning will provide Mayfield with a 12 month timeframe (without incurring any professional services fees) to assess the operational model of Genius Education and develop an integration plan so as to establish the most effective and financially efficient operating model for the Enlarged Mayfield. Mayfield can extract the best in market processes and approach to education, curriculum and back end-systems and processes to maximise the growth opportunities going forward, while leveraging the scale of the business to extract economies of scale and synergies that are expected to be delivered over time.

The Board is of the opinion that the opportunity presented under the Transactions represents an opportunity that is in the best interests of current shareholders of Mayfield.

If the Resolutions are not passed by Shareholders, or the other conditions are not satisfied or waived, the Transactions will not proceed. If the Transactions do not proceed, Mayfield will not acquire Genius Education and no new securities will be issued (ie, the Placement, the SPP and the Acquisition will not occur).

In this event, the Board's intention will be to continue to focus on Mayfield's existing core business, which is operating childcare centres in Victoria.

3.4 Significant risks and potential disadvantages

There are inherent risks associated with the Transactions and you may consider that these risks outweigh the potential benefits from the Transactions. The most significant risks and potential disadvantages are summarised in Section 10, and include:

- contractual risk;
- reliance risk;
- risk of high volume of Share sales;
- Genius Education's current operations;
- integration risk;
- concentration of shareholding;
- COVID-19 pandemic;
- changes in laws and regulations;
- government funding changes;
- registration, assessment and regulation risk;
- occupancy;
- competition risk; and
- key personnel risk.

As a Shareholder, you may form the view that the Transactions as currently proposed and structured is not in your best interests.

You may want to maintain your current investment profile. The profile, capital structure and size of the Enlarged Mayfield will be significantly different from that of Mayfield as it currently stands. Some Mayfield Shareholders may prefer to continue to invest in a listed company with the specific characteristics, operational focus and scale of the current Mayfield, and do not seek an exposure to the business of Genius Education.

As a Shareholder, you may not agree with the value attributed to Genius Education or Mayfield by the Transactions.

If the Transactions are implemented, your proportionate shareholding in Mayfield will be diluted. As a Shareholder, you may not want your proportionate ownership of Mayfield to be diluted in this way or to this extent.

The Directors believe that the potential advantages of the Transactions outweigh the risks and potential disadvantages of the Transactions.

3.5 Independent Expert's opinion

Mayfield appointed the Independent Expert to prepare an independent assessment of the Acquisition and to provide an opinion as to whether the Acquisition is fair and reasonable for the Shareholders.

The Independent Expert is independent of Mayfield, Genius Education and the Genius Education Shareholder, and has no interest in the outcome of the Acquisition other than the preparation of the Independent Expert's Report.

The Independent Expert's Report, as it relates to the Placement, assumes an issue price of not less than \$1.00 per Share. Therefore, the Independent Expert's findings as set out in the Independent Expert's Report continue to apply with respect to the actual issue price under the Placement of \$1.05 per Share.

The Independent Expert has concluded that the Acquisition is not fair, but reasonable to the non-associated Shareholders of Mayfield. In forming this opinion, the Independent Expert assessed whether the proposal is "fair" by comparing the value of a Mayfield Share on a control basis before the Transactions against the value of a Mayfield Share on a minority basis in the Enlarged Mayfield following Completion. As the value of a Mayfield Share on a minority basis in the Enlarged Mayfield following Completion (\$1.050) is materially less than the value of a of a Mayfield Share on a control basis before the Transactions (\$1.385), the Independent Expert has assessed that the Transactions are "not fair".

The Independent Expert assessed whether the Acquisition is "reasonable" for the Shareholders by analysing other significant factors that non-associated Shareholders should review and consider, including assessing the implications of the Acquisition (including the voting power of the Genius Education Shareholder), any available alternatives and the consequences if the Acquisition was not completed.

The Independent Expert has concluded that the Transactions are "reasonable". In the Independent Expert's assessment as to reasonableness, the Independent Expert's Report stated that Shareholders should consider the following:

- The Independent Expert's assessment that the Acquisition is not fair.
- If Shareholders approve the Acquisition, the current Shareholders will be diluted and they will have reduced ability to influence the operating, financing and strategic direction of Mayfield. Further, as the voting power of the Genius Education Shareholder will be above 25% it has the capacity to block the passing of a special resolution.
- The Acquisition is also likely to result in Mayfield having a higher market capitalisation which may lead to greater market awareness as well as investment analyst and broker coverage and, as such, improve Mayfield's ability to raise funds in the future, attract strategic investors and provide greater liquidity in the market for Shares.
- The acquisition of Genius Education may be earnings accretive and will increase the number of childcare centres operated by Mayfield from 22 to 36. The Shareholders will be exposed to a larger childcare operator that includes a diversified geographical portfolio of centres within Victoria and outside of Victoria, in particular in Queensland and South Australia. On a

combined basis, Mayfield will generate larger revenues when compared to the current operations of Mayfield. Although the Independent Expert has not considered any speculative upside in its valuation of Mayfield post completion of the Acquisition, the Independent Expert recognises that investors may place speculative value on the combined business of Mayfield and Genius Education upon successful integration by achieving synergy benefits and cost savings through operating efficiencies and buying power. The Acquisition may see the emergence of Mayfield as a leading childcare operator and a more comparable competitor to Think Childcare Limited and G8 Education Limited. This may be attractive to investors who have an appetite for speculative gains.

- If Shareholders do not approve the Acquisition, Mayfield's proposition will be limited to its existing childcare centres located in Victoria. Mayfield may also have to identify and pursue new childcare centre acquisitions targets which may require extensive management focus and expense to secure in order to provide Shareholders with a new value proposition.
- As a strategic partner and shareholder of Mayfield, the Genius Education Shareholder may support the future expansion and growth of Mayfield's childcare centres across Australia in particular through the Incubator Agreement. This provides a pipeline of additional childcare centres to be acquired by Mayfield at an agreed purchase price metric of 4.25 times the reported EBTIDA of each centre, payable in cash and/or Mayfield Shares. Under the Incubator Agreement, Genius Learning will develop additional childcare centres based on criteria set by Mayfield and this presents a commercial opportunity to support Mayfield's future scalability and growth and this may improve the market confidence and provide additional shareholder value for Mayfield's shareholders. The Independent Expert has not placed any value on the Incubator Agreement in its assessment of fairness.
- The issue price of the Mayfield Shares under the Acquisition, both on completion of the Acquisition and on achievement of the earn out (\$1.15 per Share) is not at any discount or premium to the closing share price of a Mayfield Share on 8 October 2021 (\$1.15).
- The minimum issue price of the Mayfield Shares subject to the Placement (\$1.00 per Share) is at a 13% discount to the closing share price of a Mayfield Share on 8 October 2021 (\$1.15). Although approval of the Acquisition will result in existing Shareholders losing control, they may be provided with the opportunity to subscribe for additional Shares under the SPP.
- The Base Cash Consideration of the Acquisition is \$6.24 million. If Shareholders approve the Acquisition and if Mayfield completes the Placement this will allow Mayfield to fund the Base Cash Consideration and transaction costs associated with the Transactions as well as repaying borrowings and strengthening its cash resources which may be utilised for working capital and future growth opportunities.
- Under the IP Licence Agreement, Mayfield will have right of use of the 'Genius' brand which may position Mayfield as a premium childcare operator. However, Mayfield will not own the 'Genius' brand and may pay a licence fee for future use which the market may not see as being favourable.
- The Directors of Mayfield have sought external advice and performed due diligence regarding Genius Education and the Acquisition Centres, in particular the strategic fit, which they have subsequently approved.
- The manner in which the change to the nature and scale of Mayfield's activities is being achieved may not be consistent with the investment, financial, taxation or other objectives of all Mayfield shareholders.

Shareholders should read the Independent Expert's Report contained at Section 14 in its entirety before making a decision as to whether or not to vote in favour of the Resolutions.

3.6 Director's recommendations

The Directors believe the Transactions are likely to be beneficial to you as a Shareholder for a number of reasons. This Section 3 summarises the key potential benefits of the Transactions and the Enlarged Mayfield, and the significant risks and potential disadvantages associated with the Transactions and the Enlarged Mayfield. Risks are outlined in further detail in Section 10.

Notwithstanding the Independent Expert's finding that the Acquisition is not fair, but reasonable to the non-associated Shareholders of Mayfield, the Directors believe that the benefits of the Transactions outweigh their disadvantages and that the Transactions are in the best interests of Mayfield and Shareholders, in the absence of a superior proposal.

The Directors unanimously recommend that you vote in favour of Resolutions 1 and 4.

In relation to Resolution 1 (Approval of the issue of Shares under the Placement), the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 2 (Approval for Director participation in the Placement – Dean Clarke and Michelle Clarke), the independent Director (being Peter Lowe) recommends that Shareholders vote in favour of this Resolution.

In relation to Resolution 3 (Approval for Director participation in the Placement – Peter Lowe), the Directors other than Peter Lowe recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 4 (Approval of the issue of Shares under the Acquisition), the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

4 Overview of the Transactions and the SPP

This Section 4 sets out a brief overview of the Transactions and the SPP and should be read in conjunction with the entire Notice of Meeting and Explanatory Statement before you decide how to vote on the Resolutions.

4.1 Overview

On 1 November 2021, Mayfield announced that it had entered into the Share Sale Agreement under which Mayfield has agreed to acquire 100% of the issued share capital of Genius Education for a combination of cash consideration and the issue of Shares to the Genius Education Shareholder.

Subject to Shareholder approval, the Transactions involve:

- Mayfield undertaking a placement to sophisticated, professional and institutional investors (including Mayfield Directors) to raise a total of \$8,000,000 from the issue of 7,619,047 new Shares at \$1.05 per Share; and
- Mayfield acquiring 100% of the issued shares in Genius Education for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder.

In addition, Mayfield is also undertaking an offer of new Shares to eligible Mayfield shareholders in Australia and New Zealand (including Mayfield Directors and senior executives) under a share purchase plan to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share.

4.2 Placement

Subject to Shareholder approval, the Placement is being made to sophisticated, professional and institutional investors.

Mayfield expects to raise a total of \$8,000,000 from the issue of 7,619,047 new Shares at \$1.05 per Share under the Placement.

The funds raised from the Placement will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions.

4.3 Share Purchase Plan (SPP)

The SPP is an offer to eligible Mayfield shareholders in Australia and New Zealand.

Mayfield intends to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share under the SPP.

The funds raised from the SPP will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions.

4.4 Acquisition – Consideration

Subject to Shareholder approval, Mayfield is acquiring 100% of the issued shares in Genius Education from the Genius Education Shareholder for the following consideration:

- at Completion, cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) and 21,704,347 ordinary shares in Mayfield at \$1.15 per Share (**Tranche 1**); and
- cash and additional ordinary shares in Mayfield (to a maximum of 6,212,331 new Shares) at \$1.15 per Share subject to achievement of an agreed forecast EBITDA target amount of at least \$8,000,000 for Genius Education for the 12 months ending 31 December 2022 (**Tranche 2**).

4.5 Acquisition – Base Consideration (Tranche 1)

Under Tranche 1, Mayfield has agreed to pay the Genius Education Shareholder consideration equal to \$31,200,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) (**Base Consideration**).

The Base Consideration is payable as follows:

- cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) (**Base Cash Consideration**); and
- \$24,960,000 in fully paid ordinary shares in Mayfield, at a share price of \$1.15 per Share, being 21,704,347 Shares (**Base Consideration Shares**).

The issue price of \$1.15 per Share (**Mayfield Share Issue Price**) compares favourably to the following:

- 5 day VWAP of Shares of \$1.1377 ending on 11 October 2021;
- 20 day VWAP of Shares of \$1.1166 ending on 11 October 2021; and
- 30 day VWAP of Shares of \$1.1109 ending on 11 October 2021.

4.6 Acquisition – Earn Out Consideration (Tranche 2)

Under Tranche 2, if the EBITDA of Genius Education meets or exceeds the actual audited CY22 EBITDA target amount of at least \$8,000,000, the Genius Education Shareholder will be entitled to total earn out consideration equal to 1.0x the actual audited CY22 EBITDA of Genius Education (**Earn Out Consideration**).

The Earn Out Consideration is payable as follows:

- the number of Mayfield Shares to be issued as part of the Earn Out Consideration is the lesser of an amount of Mayfield Shares that is equal to:
 - 80% of the actual audited CY22 EBITDA of Genius Education divided by the Mayfield Share Issue Price; and
 - 6,212,331 new Shares (**Maximum Earn Out Shares**) issued at the Mayfield Share Issue Price.
- The amount of cash payable as part of the Earn Out Consideration is of the total Earn Out Consideration less the amount of Earn Out Consideration payable in Shares, as set out above (**Earn Out Cash Consideration**).

4.7 Acquisition – Rationale for Earn Out Consideration

The Board considers that the Earn Out Consideration structure is beneficial to Shareholders for a number of reasons, including but not limited to:

- ensuring Mayfield's Shareholders receive good value for money by acquiring Genius Education for an amount which is correlated with its actual value, as evidenced by its ability (or inability, as the case may be) to contribute to the generation of the CY22 EBITDA of Mayfield by way of the earnings generated by the Acquisition Centres;
- incentivising strong performance by each of Mayfield and Genius Education's management teams to increase value for Mayfield's Shareholders;
- better aligning the long term interests of Mayfield and Mayfield's Shareholders with Genius Education; and
- increasing Mayfield's cash reserves for working capital and potential future acquisitions.

4.8 Target EBITDA for Genius Education

Mayfield and the Genius Education Shareholder have agreed that the target EBITDA for Genius Education for CY22 in order for the Earn Out Consideration to be payable is \$8,000,000.

The EBITDA of a business is its earnings before interest, tax, depreciation and amortisation. It is important to note that in the context of the Acquisition, the target EBITDA of \$8,000,000 for Genius Education for CY22 excludes the impact of AASB 16 Leases.

The Board considers that a pre-AASB 16 *Leases* EBITDA based target for determination of whether the Earn Out Consideration is payable is appropriate (compared to a purely statutory based EBITDA) due to the following:

- it is industry practice within the childcare sector that financial performance and financial position reporting is on an underlying basis, as property rent costs form a significant proportion of centre operating costs;
- childcare centre acquisitions are typically made based on a multiple of forecast future centre EBITDA, inclusive of property rent costs; and
- the application of accounting standard AASB 16 *Leases* has no implication for the liquidity of, nor economic impact upon, Mayfield's business.

The target EBITDA amount of \$8,000,000 is an aspirational target, which Mayfield considers can only be achieved if the Genius Education business performs extremely well, but which Mayfield also considers is a fair and achievable target. In this way, the Board considers that the target EBITDA strikes an appropriate balance – it provides a real incentive to the Genius Education Shareholder with respect to the performance of the Acquisition Centres in CY22, but without the added risk for underperformance which may exist if the EBITDA target were pitched at a considerably lower amount (and therefore, easily achievable) or a considerably higher amount (and therefore, effectively unattainable).

If the earn out target is achieved such that an amount of \$8,000,000 is payable to the Genius Education Shareholder as Earn Out Consideration then this would result in the total price payable by Mayfield to acquire Genius Education as being equal to \$39,200,000. The Board notes that this is clearly within the enterprise value range of Genius Education as assessed by the Independent Expert (which range is between \$33,750,000 and \$46,750,000).

4.9 Valuation methodology

The value of the consideration for the Acquisition was determined by Mayfield and the Genius Education Shareholder by applying a 4.9x multiple (including minimum Earn Out) to the forecast CY22 EBITDA of Genius Education of approximately \$8,000,000.

The Shares to be issued by Mayfield to the Genius Education Shareholder under the Share Sale Agreement will be issued at a share price of \$1.15. As outlined in Section 4.5, the price of \$1.15 compares favourably to the 5 day VWAP of Shares, 20 day VWAP of Shares and 30 day VWAP of Shares, each ending on 11 October 2021. The price of \$1.15 per Share is greater than the issue price per Share under the Placement, which is \$1.05 per Share.

The Independent Expert considered a range of valuation methodologies in providing a valuation for Mayfield, but only applied the share price valuation methodology given the current circumstances of Mayfield. The fair market value of Mayfield's Shares as assessed by the Independent Expert is between \$1.320 and \$1.449 per Share, with a mid-point of \$1.385 per Share, on a control basis (as described in Section 7 of the Independent Expert's Report).

The Independent Expert considered a range of valuation methodologies in providing a valuation for Genius Education, but only applied the capitalisation of maintainable earnings valuation methodology given the current circumstances of Genius Education. The value of Genius Education as assessed by the Independent Expert is between \$33.75 million and \$46.75 million on a control basis (as described in Section 9 of the Independent Expert's Report).

In assessing the value of the Enlarged Mayfield after the Acquisition, the Independent Expert considered the value of Mayfield before the Acquisition together with the value of Genius Education, the impact of the Placement and the consideration payable to the Genius Education Shareholder in respect of the Acquisition. The value of the Enlarged Mayfield as assessed by the Independent Expert is as follows:

- where no Earn Out is achieved, between \$0.996 and \$1.275 per Share, with a mid-point of \$1.136 per Share, on a minority basis; and
- an Earn Out is achieved (between \$8 and \$8.5 million EBITDA), between \$0.940 and \$1.159 per Share, with a mid-point of \$1.050 per Share, on a minority basis,

(as described in Section 10 of the Independent Expert's Report).

Refer to Sections 7, 9 and 10 of the Independent Expert's Report for further information on the methodologies used to value Mayfield, Genius Education and the Enlarged Mayfield.

4.10 **Enlarged Mayfield aggregated historical pro forma performance**

An overview of the aggregated historical financial performance of Genius Education combined with the audited financial performance of Mayfield is set out in Section 9.3.

4.11 **Changes to the Board**

Following Completion, the current Directors of Mayfield being Peter Lowe, Dean Clarke and Michelle Clarke will continue to act as Directors of Mayfield.

Subject to Completion, the Genius Education Shareholder is entitled to nominate two directors to be appointed to the Mayfield Board. The Genius Education Shareholder has nominated Lubna Matta and David Niall. The appointments of Lubna Matta and David Niall as Directors are proposed to take place on Completion.

- Lubna Matta – Proposed Non-Executive Director

Lubna Matta is currently the owner and founder of UrbanCo IGA, a small chain of independently operated supermarkets and has sat across a number of Metcash Limited Committees. Lubna holds a Bachelor of Laws Degree from Monash University. Lubna specialises in developing and growing companies addressing local community needs. Lubna brings over 15 years' experience in legal, corporate advisory and business growth.

- David Niall – Proposed Non-Executive Director

David Niall is the Chief Operating Officer for Sprint Capital Partners, as well as a director for ASX listed Rewardle Holdings Limited (ASX:RXH). David has a Bachelor of Science (Hons) Degree from the University of Melbourne and holds a Master of Business Administration from Harvard Business School. David has a deep knowledge of high growth and early stage companies with extensive experience in developing and launching innovative products. David has extensive experience driving implementation of complex strategic programs across telecommunications, technology, childcare and management consulting industries.

4.12 **Changes to senior management**

Following Completion, Dean Clarke will continue as Chief Executive Officer, Michelle Clarke will continue as Quality Improvement Advisor, Glenn Raines will continue as Chief Financial Officer and Ellen Porter will continue as National Operations Manager.

4.13 **Capital structure of the Enlarged Mayfield**

The following table shows the anticipated capital structure of the Enlarged Mayfield:

- on completion of the Transactions (pre-Earn Out); and
- if the Maximum Earn Out Shares are issued to the Genius Education Shareholder (post- Earn Out).

	Shares after completion of the Transactions (pre-Earn Out)		Shares if the Maximum Earn Out Shares are issued to the Genius Education Shareholder	
	No. of Shares	% of total no. of Shares	No. of Shares	% of total no. of Shares
Current shareholders of Mayfield	32,418,965	52.5%	32,418,965	47.7%

Issue of new Shares under the Placement*	7,619,047	12.3%	7,619,047	11.2%
Issue of new Shares to the Genius Education Shareholder (Tranche 1)	21,704,347	35.2%	21,704,347	31.9%
Maximum issue of new Shares to the Genius Education Shareholder (Tranche 2)	n/a	n/a	6,212,331	9.1%
Genius Education Shareholder	21,704,347	35.2%	27,916,678	41.1%
TOTAL	61,742,359	100%	67,954,690	100%

* Note, as the Acquisition is not conditional on the SPP being completed, it is possible that the issue of new Shares may be made to the Genius Education Shareholder without the SPP occurring.

4.14 Conditions of Transactions

Completion of the Transactions is conditional on, among other things:

- Shareholders approving the Resolutions set out in this Notice of Meeting;
- any material third party or regulatory approvals or consents (including from third party landlords, ASX and ASIC) reasonably required or desired by Mayfield to be obtained in connection with the acquisition of the shares in Genius Education or the issue of the new Mayfield Shares to the Genius Education Shareholder being obtained on terms reasonably satisfactory to Mayfield; and
- there being no material adverse change in relation to Genius Education or Mayfield.

Refer to Section 11 for further information about the conditions to the Transactions being completed.

4.15 Ancillary Agreements

In connection with the Acquisition, Mayfield and the Genius Group have agreed to enter into the following Ancillary Agreements:

Incubator Agreement

A 5-year incubator partnership will be established between Mayfield and Genius Learning whereby Genius Learning identifies, develops and trades-up childcare centres for sale to Mayfield (on a non-exclusive basis), subject to the satisfaction of agreed performance metrics.

Under the Incubator Agreement, Mayfield has agreed to purchase childcare centres from Genius Learning that meet the following performance metrics:

Performance metrics	
Occupancy	At least 75% occupancy for three consecutive months
EBITDA	Centre forecast EBITDA of at least \$150,000 based on annualised 12 month period
Licensed Places*	Minimum capacity of 60 licensed places

* The licensed places performance metric does not apply to the initial incubator centres.

The agreed purchase price is a multiple of 4.25x the relevant centre's EBITDA, payable in cash or a combination of cash and Shares, subject to agreement between Mayfield and the Genius Education Shareholder and to any legal and regulatory requirements being satisfied.

Mayfield will also have a right of first refusal in respect of other centres developed by Genius Learning that are not yet achieving the performance metrics.

Genius Learning will focus on developing additional childcare centres for sale to Mayfield, based on the following:

- **Strategic investment envelope:** Mayfield will provide Genius Learning with a strategic investment envelope which sets out Mayfield's requirements for new childcare centres and capacity requirements in each region.
- **Childcare Centre Development Plan (CDP):** Each year, Mayfield and Genius Learning will agree a new CDP for the year which sets out the pipeline of childcare centres under development and potential transfer dates for completion of a sale from Genius Learning to Mayfield.

The incubator partnership will enable the Enlarged Mayfield to focus on managing and operating the 36 childcare centres that comprise the Enlarged Mayfield portfolio.

Transitional Services Agreement

Under the Transitional Services Agreement, Genius Learning will provide Mayfield with, operational, corporate, legal and marketing services from Completion until 31 December 2022 (with the an option to extend the provision of those services until 31 December 2023). If the option to extend is not exercised then these services are to be provided to Mayfield at no fee, although Mayfield will be responsible for reimbursing reasonable expenses incurred by Genius Learning in the provision of these services.

IP Licence Agreement

Under the IP Licence Agreement, Genius IP will provide a non-exclusive licence to Mayfield to use its intellectual property (branding, trademarks, know-how associated with 'Genius') in Australia from Completion until 31 December 2023 (with the option to extend beyond 31 December 2023).

Commencing 1 January 2023, Mayfield will pay Genius IP an annual licence fee of 1% of total revenue of the 'Genius' branded childcare centres that are owned and operated by the Enlarged Mayfield.

5 Industry overview

This Section sets out information about the industry in which Mayfield and Genius Education operate.

5.1 Introduction

The childcare industry in Australia is heavily regulated under the Education and Care Services National Law and supporting regulations which provide a detailed and prescriptive framework for the management and operation of childcare services in Australia.

The Commonwealth Government provides substantial assistance to the childcare industry and users of the childcare industry through schemes such as childcare subsidies. Childcare subsidies are paid directly to the childcare centres and represent a significant proportion of a childcare centre owner's revenue. The sector continues to enjoy strong bipartisan Government support as evidenced by increases to childcare subsidy levels in mid-2018 and relief packages throughout the COVID-19 pandemic.

5.2 Market overview

The childcare industry initially faced several challenges due to the COVID-19 pandemic, though with childcare declared an essential service by the Commonwealth Government, the sector has been the recipient of \$2.6 billion in COVID-19 funding support. Funding for the sector is expected to total \$10.3 billion in 2020-21.

With the Commonwealth Government's revised childcare subsidy policy of \$1.7 billion scheduled for CY22, providing additional support to middle and lower income families, and the longer term supply/demand metrics improving, the childcare industry fundamentals are looking positive.

It is expected that future demand for childcare in Australia will be driven by increases in:

- Government assistance (including COVID-19 support measures);
- female workforce participation rates;
- population – with a projected growth in the number of children;
- household disposable income; and
- hourly fees.

5.3 Legal/regulatory framework in Australia for childcare

The Commonwealth Government is the major policy maker and regulator of the Australian childcare industry, with the State and Territory Governments retaining a role in administering the Commonwealth regulatory framework.

The Commonwealth Government is a major provider of funding for childcare in Australia.

At the Commonwealth level, the *Education and Care Services National Law Act 2021* (Cth) and the *Education and Care Services National Regulations 2011* (Cth) comprise the overarching legislative framework for the Australian childcare industry. This legislation also established the National Quality Framework for Early Childhood Education and Care (**NQF**), which is overseen by the Australian Children's Education and Care Quality Authority (**ACECQA**).

Each State and Territory has passed legislation to give effect to the national system. Under the national framework, each State and Territory has an authority that is responsible for approving, monitoring and assessing the quality of services in that State or Territory. State and Territory Governments continue to regulate childcare services not covered under the NQF (such as occasional care and in-home care).

All childcare centres in Australia must be registered under the NQF in order to qualify for Government funding. Key focus areas for the NQF are the development of qualification requirements for childcare staff and prescribed staff-to-child ratios.

ACECQA undertakes inspections and assessments to ensure compliance with relevant regulations and provides a rating to individual childcare centres.

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6 Information about Mayfield

This Section provides information on Mayfield.

6.1 Overview of Mayfield

Mayfield was incorporated on 25 March 2015 and admitted to the official list of ASX on 30 November 2016.

In that time Mayfield has grown to own and operate 22 Victorian childcare centres representing 1,852 registered childcare places.

Established within the Victorian market, Mayfield's tight geographical distribution delivers a centralised and cost-effective management structure, simplifying day to day operations and integration of centres. Mayfield will drive growth organically with a focused effort on the delivery of quality education and care in line with the National Quality Standards, while seeking acquisition growth to drive shareholder value.

6.2 Overview of Mayfield's business model and growth strategy

Mayfield operates its business through the implementation of its Quality Improvement Plan. The Quality Improvement Plan is a holistic concept which encompasses Mayfield's commercial ideas, proposals, strategies, and know-how relating to the operation of the Mayfield childcare centres and its business. The Quality Improvement Plan is based, among other things, on the experience of Mayfield's childcare professions.

The Quality Improvement Plan targets the key areas that Mayfield believes are factors in an individual childcare centre's performance. The plan aims to optimise the efficiency and quality of service of each of Mayfield's childcare centres to ultimately improve the occupancy and the overall profitability of that childcare centre, and in aggregate, Mayfield.

Mayfield also seeks to grow its business through the acquisition of additional childcare centres.

Factors considered by Mayfield when determining whether a childcare centre is appropriate for acquisition include, but are not limited to:

- site location;
- occupancy;
- historical performance;
- profitability
- local demand for childcare services; and
- competing childcare businesses within the immediate vicinity of that childcare centre.

6.3 Directors

Following Completion, the current Directors of Mayfield being Peter Lowe, Dean Clarke and Michelle Clarke will continue to act as Directors of Mayfield.

Subject to Completion, the Genius Education Shareholder is entitled to nominate two directors to be appointed to the Mayfield Board. The Genius Education Shareholder has nominated Lubna Matta and David Niall (**Proposed Directors**). The appointments of Lubna Matta and David Niall as Directors of Mayfield are proposed to take place on Completion.

6.4 Interests and benefits of Directors

(a) Directors' interests in Shares as at the date of this Notice of Meeting

As at the date of this Notice of Meeting, the number of Shares owned or controlled by the Directors is as follows:

Director	No. of Shares	% of all Shares on issue pre-Transactions
Peter Lowe	266,036	0.8%
Dean ¹ & Michelle Clarke	3,468,302	10.7%

(b) **Directors' interests in Shares immediately following completion of the Transactions**

Immediately following completion of the Transactions, the number of Shares owned or controlled by the Directors (including the Proposed Directors) as at that time will be as follows:

Director	No. of Shares	% of all Shares on issue post-Transactions
Peter Lowe	362,702	0.5%
Dean ² & Michelle Clarke	3,563,540	5.2%
Lubna Matta	Nil	n/a
David Niall	Nil	n/a

(c) **Remuneration of Directors**

There will be no change to the current remuneration of any Director as a result of the Transactions.

The remuneration of each of the Proposed Directors will be \$40,500 per annum (inclusive of superannuation).

(d) **Fees given or agreed to be given in connection with the Transactions**

No fees will be payable to any of the Directors or Proposed Directors in connection with the Transactions.

(e) **Securities on issue**

As at the date of this Notice of Meeting:

- there are a total of 32,418,965 Shares on issue held by approximately 772 Shareholders; and
- the top 20 Shareholders hold approximately 66.35% of all issued Shares.

Mayfield does not currently have any other type of securities on issue.

(f) **Substantial holders**

As at the date of this Notice of Meeting, Mayfield's substantial holders are as follows:

Name	Number of Shares held	% of all 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	8,359,675	25.8%
D.W. & M.R. Clarke Pty Ltd (ATF D.W. & M.R. Clarke Family Trust)	3,468,302	10.7%

¹ Dean Clarke is beneficially entitled to 3,365,971 ordinary shares.

² Dean Clarke would be beneficially entitled to 3,465,971 ordinary shares.

Name	Number of Shares held	% of all Shares on issue
Malcolm and June Ross Investments Pty Ltd, Malcolm and June Ross	1,746,838	5.4%

6.5

Publicly available information

Shares are listed for quotation on ASX and Mayfield is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act.

Announcements made by Mayfield to the ASX announcement platform are available from ASX's website at www.asx.com.au.

7 Information about the Genius Group

This Section provides information on the Genius Group.

7.1 What is the Genius Group?

Like Mayfield, the Genius Group operates within the Australian childcare sector.

The Genius Group is a leading Australian-owned childcare and early learning provider that currently owns and operates 30 centres across Queensland, Victoria, New South Wales, South Australia and Western Australia.

The Genius Group is regarded as an innovative and premium childcare provider and the strength and quality of its operations fits well with Mayfield's strategy and vision.

For more information on the Genius Group go to <https://www.geniuselc.org/>.

7.2 What is the Genius Group's business model and strategy?

Genius' business model is to identify and develop childcare centres and then operate those centres profitably. Genius has developed a proprietary operating model based upon a well-respected national brand and marketing strategy, strong technologically led operating capabilities and an education-focused culture.

The Genius Group offering targets families searching for premium childcare services. Highlights of its childcare offering include:

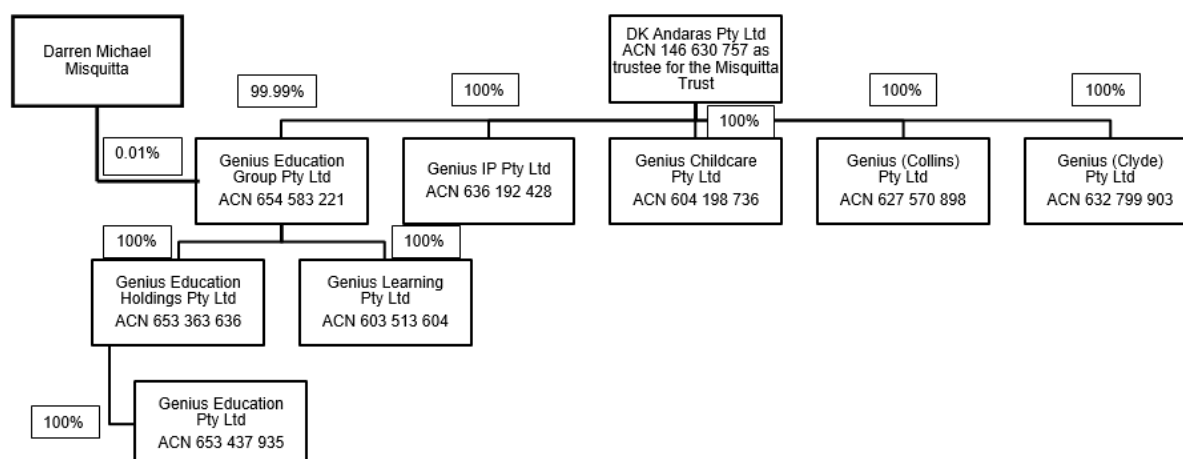
- state-of-the-art, purpose built childcare centres across Australia that feature;
 - interactive spaces and adventure zones;
 - calming, uncluttered indoor environments that promote children's learning experiences and demeanor; and
 - outdoor environments rich in plant life and natural materials encourage and provoke the innate curiosity in children;
- an accredited curriculum designed with a strong emphasis on play-based learning (Creative Expression, Language and Literacy, STEM, Community Connection, Physical Well-Being and Our Environment, Construction and Discovery, Routines and Rituals, Imaginative Expression);
- a Funded Kindergarten Program, delivered by an Early Childhood Teacher, for children in the year before they attend formal schooling;
- highly-skilled educators teaching life skills through a range of programs, including Robotics, Nutritional Ninja, Garden Guru and Music and Movement;
- targeted online (Google, Facebook, Instagram) marketing, local media marketing (radio, TV) and state or nationwide marketing via sponsorships with leading sporting groups around the country that underpin occupancy and facilitate future growth; and
- strong partnerships and meaningful relationships with local families, businesses and organisations that promotes growth of the wider Genius community.

7.3 Sources of revenue

The Genius Group derive revenues from their childcare centre operations, which includes Long Day Care Fees charged for a child's enrolment at the centre, which is paid in part by the Commonwealth Government under the Child Care Subsidy program and the remaining gap-payment from the parent. The Genius Group provides various Care programs to parents, such as Before and After School Care and Vacation Care which are fee based programs, with revenues again generated from Commonwealth Government subsidies and parent contributions. In addition to the Commonwealth Government funding, the Genius Group also derives revenue from State and Territory Government funding provided to services that offer families a Government registered Kindergarten program for children aged 4 years and over.

7.4 How is the Genius Group structured?

As at the date of this Notice of Meeting, the current corporate structure of the Genius Group is as follows:



7.5 Genius Restructure

As at the date of this Notice of Meeting, Genius Learning is the owner of the Genius Group's 30 childcare centres.

As part of the Acquisition and prior to Completion, the Genius Group will undertake a corporate restructure that will result in the transfer of ownership of 14 of its childcare centres (**Acquisition Centres**) from Genius Learning to Genius Education. Mayfield will then acquire all of the shares in Genius Education from the Genius Education Shareholder as part of the Acquisition.

Ownership of the Genius Group's remaining childcare centres will continue to reside solely with Genius Learning.

7.6 Acquisition Centres

A summary of the Acquisition Centres is presented in the table below. Of the fourteen centres, five are established centres having been in operation for nearly two years, two centres have started operating in 2021 whilst the remaining are in 'trade-up' or growth stage given that they were negatively impacted by the COVID-19 pandemic outbreak and the resulting lockdowns and restrictions in 2020. As of August 2021, the Acquisition Centres had 1,347 registered licences places of which 1,004 places were already booked.

State	Centre	Start date	Current licensed places
Victoria	Cheltenham	November 2020	120
	Clyde North	June 2020	124
	Maddingley	December 2019	103
	Mooroolbark	January 2021	104
	Seaford	July 2020	83
South Australia	Oakbank	March 2021	60
Queensland	Allenstown	December 2019	84
	Brinsmead	September 2020	74
	Clifton Beach	December 2019	119
	Norman Gardens	December 2019	102

	Rainforest 121	December 2019	150
	Sheridan Gardens	November 2020	74
	Sheridan Meadows	November 2020	75
	Wulguru	June 2020	75
Total available licensed places			1,347

7.7 Who are the directors and senior management of Genius Education and Genius Learning?

	Genius Education	Genius Learning
Shareholder(s)	Genius Education Holdings Pty Ltd	Genius Education Group Pty Ltd
Share capital	2 fully paid ordinary shares	10,000 fully paid ordinary shares
Director(s)	Darren Misquitta	Darren Misquitta

Darren Misquitta is the driving force behind the Genius Group. Darren is an investment professional with over 15 years of experience in creating shareholder enterprise value. In his professional career Darren has held several senior positions including Founding Director of Killara Resources Limited (ASX:KRA) and Founding Director of Oxanda Capital Management. Darren has also served on various boards of multinational and local companies across the Asia Pacific.

Tom Martin (Chief Financial Officer)

Tom is a Chartered Accountant who began his career at EY in Adelaide before moving to London, where he worked in senior finance roles for two hospitality business turnarounds, firstly a 45 site specialty coffee chain (Harris + Hoole), and later a group of entertainment led Caribbean restaurants (Rum Kitchen). Tom has a strong commercial mindset and works closely with operations to carry out strategic objectives across sites.

Sel Omerovic (National Operations Manager)

Sel has over 15 years experience in early childhood. Sel specialises in business development, operational support and business acquisitions. Sel's role for the company is the National Operations Manager for all Genius centres.

Pat Allan (General Counsel & Property)

Pat is a specialist corporate and commercial lawyer with extensive experience in mergers and acquisitions. Pat negotiates, manages and executes M&A, Banking and Property transactions and provides general legal counsel to Genius Childcare.

Each of the above executives will remain employed by the Genius Group after Completion of the Acquisition. Although these executives will not be employed by the Enlarged Mayfield, they will indirectly be involved in the provision of operational services to the Enlarged Mayfield under the Transitional Services Agreement (refer to Section 4.15).

As part of the Genius Restructure, approximately 372 employees employed by the Genius Group with respect to the Acquisition Centres will be offered employment with Genius Education. Upon Completion occurring, each of these employees who accept the offer will become employed by Genius Education, which will become a wholly-owned subsidiary of Mayfield.

7.8 Genius Education's shareholding

Genius Education Holdings Pty Ltd is the sole shareholder of Genius Education Pty Ltd.

Genius Education Group Pty Ltd is the sole shareholder of Genius Education Holdings Pty Ltd.

7.9 **Genius Learning's shareholding**

Genius Education Group Pty Ltd is the sole shareholder of Genius Learning Pty Ltd.

7.10 **Is there any litigation affecting the Genius Group?**

Throughout its due diligence process, Mayfield has not become aware of any litigation impacting the Genius Group. Under the Share Sale Agreement, the Genius Education Shareholder has warranted that there is no litigation with respect to any of the Acquisition Centres.

8 Information about the Enlarged Mayfield

This Section provides information about the Enlarged Mayfield.

The statements set out in this Section 8 are statements of current intentions only, which may change as new information becomes available or circumstances change. Any decisions will only be reached after implementation when all material facts and circumstances are known to the Board of the Enlarged Mayfield.

8.1 Overview of the Enlarged Mayfield

As a result of the Acquisition, Genius Education will become a wholly-owned subsidiary of Mayfield.

The Enlarged Mayfield will comprise 36 childcare centres diversified across the following jurisdictions:

State (No. of centres)	Mayfield	Genius Education	Enlarged Mayfield
Victoria	22	5	27
Queensland	-	8	8
South Australia	-	1	1
TOTAL	22	14	36

For further information in relation to the existing operations of Mayfield and Genius Education refer to Sections 6 and 7 respectively.

8.2 What will the Enlarged Mayfield's strategy be?

The Acquisition transforms Mayfield in terms of both size and scale, repositioning Mayfield from a small, Victorian-based operator, to a leading Australian childcare operator. The fundamentals of the Acquisition provides the Enlarged Mayfield with geographical diversity and enhanced financial strength, while the incubator partnership provides ongoing access (on a non-exclusive basis) to a pipeline of premium and high performing centres, to drive Shareholder returns.

Core to the Enlarged Mayfield's strategy will be the clear vision of enhancing and delivering high quality care and education to our families through the provision of excellent, quality service to all customers through the expertise of our Board and Management team. Mayfield will continue to seek improvements to the quality of service offering at each of its centres, with the ambition of exceeding the National Quality Standard ratings, from which the Directors believe financial prosperity will follow.

8.3 Synergies between Mayfield and Genius Education

The Board believes that the Acquisition will provide a material increase in both the size and scale of Mayfield's operations and increased profitability for the integrated group.

The prominent position already held by Genius Education in the Australian childcare industry, when added to Mayfield's existing operations and strategic opportunities, should deliver synergistic benefits for the integrated group where the combined value exceeds the sum of its parts.

The expected synergies between Mayfield and Genius Education include:

- enhancing Mayfield's ability to market itself as a leading Australian childcare operator with significant scale and a portfolio of highly complementary childcare centres;
- the creation of the incubator partnership (on a non-exclusive basis) provides an ability to produce a tailored growth pipeline of high performing childcare centres for the future growth of the Enlarged Mayfield;
- increased buying power and enhanced operating efficiencies through the centralisation of operations; and

- expanded portfolio of childcare centre brands (ie, 'Genius'), targeted at different market segments and the ability to leverage the Genius Group's expertise to integrate its innovative and accredited curriculums into Mayfield's childcare centres.

For the reasons outlined above, the Board believes the Acquisition will be highly accretive to the equity value of Mayfield and would add considerable quality and substance to Mayfield's existing portfolio of childcare centres.

8.4 Key dependencies – Mayfield and Genius Education

The key factors that Mayfield and Genius Education will depend on to meet its objectives are:

- the successful completion of the Transactions;
- the continuing ability of the Enlarged Mayfield to increase occupancy at its childcare centres;
- the continuing ability of the Enlarged Mayfield to provide high quality childcare centres;
- the successful development of childcare centres by Genius Learning for sale to Mayfield under the Incubator Agreement;
- the continued retention of key personnel; and
- the stability of the regulatory framework of the Australian childcare industry.

8.5 What will the Enlarged Mayfield capital and ownership structure be?

(a) Shares on issue after completion of the Transactions and the Earn Out

The following table shows the anticipated capital structure of the Enlarged Mayfield:

- on completion of the Transactions (pre-Earn Out); and
- if the Maximum Earn Out Shares are issued to the Genius Education Shareholder (post-Earn Out).

	Shares after completion of the Transactions (pre-Earn Out)		Shares if the Maximum Earn Out Shares are issued to the Genius Education Shareholder	
	No. of Shares	% of total no. of Shares	No. of Shares	% of total no. of Shares
Current shareholders of Mayfield	32,418,965	52.5%	32,418,965	47.7%
Issue of new Shares under the Placement*	7,619,047	12.3%	7,619,047	11.2%
Issue of new Shares to the Genius Education Shareholder (Tranche 1)	21,704,347	35.2%	21,704,347	31.9%
Maximum issue of new Shares to the Genius Education Shareholder (Tranche 2)	n/a	n/a	6,212,331	9.1%
Genius Education Shareholder	21,704,347	35.2%	27,916,678	41.1%
TOTAL	61,742,359	100%	67,954,690	100%

* Note, as the Acquisition is not conditional on the SPP being completed, it is possible that the issue of new Shares may be made to the Genius Education Shareholder without the SPP occurring.

(b) **Voting power of substantial holders of the Enlarged Mayfield**

The following table shows the voting power of the current substantial holders of the Enlarged Mayfield and the voting power of the expected substantial holders of the Enlarged Mayfield following:

- completion of the Transactions (pre-Earn Out); and
- if the Maximum Earn Out Shares are issued to the Genius Education Shareholder (post-Earn Out).

	Voting power before the Transactions		Voting power after Completion of the Transactions (pre-Earn Out)		Voting Power if Maximum Earn Out Shares are issued to the Genius Education Shareholder	
	No. of Shares	% of total no. of Shares	No. of Shares	% of total no. of Shares	No. of Shares	% of total no. of Shares
Genius Education Holdings Pty Ltd	n/a	n/a	21,704,347	35.2%	28,016,678	41.1%
Riversdale Road Shareholding Company Pty Ltd (ATF Riversdale Road Shareholding Trust), J.T. Campbell & Co Pty Ltd, J.T. Campbell Properties Pty Ltd	8,359,675	25.8%	8,359,675	13.5%	8,359,675	12.3%
D.W. & M.R. Clarke Pty Ltd (ATF D.W. & M.R. Clarke Family Trust), Michelle Clarke	3,468,302	10.7%	3,563,540	5.8%	3,563,540	5.2%
Malcolm and June Investments Pty Ltd, Malcolm and June Ross	1,746,838	5.4%	1,746,838	2.8%	1,746,838	2.6%

There is no pre-existing relation between the Genius Education Shareholder and Mayfield, other than the relationship of buyer and seller created by the Share Sale Agreement.

Resolution 4 seeks approval for the issue of 21,704,347 Shares under Tranche 1 and the issue of up to an additional 6,212,331 under Tranche 2 to the Genius Education Shareholder under the Share Sale Agreement.

If Shareholders vote in favour of the Resolutions, upon completion of the Transactions, approximately 35.2% of the Shares of Mayfield will be held by the Genius Education Shareholder.

If an earn out is achieved resulting in the Maximum Earn Out Shares being issued to the Genius Education Shareholder and there are no additional Mayfield Shares issued following completion of the issue of the Tranche 1 Shares and the Placement Shares, then the Genius

Education Shareholder's holding in Mayfield following the issue of the Maximum Earn Out Shares will be approximately 41,1% of the Shares of Mayfield.

The Resolution seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act to the acquisition of new Mayfield Shares by the Genius Education Shareholder under the Share Sale Agreement with respect to both Tranche 1 and Tranche 2 of the Acquisition.

8.6 What is the dilutive impact of Shares issued under the Transactions on existing Shareholders?

There are currently 32,418,965 Shares on issue in Mayfield.

Upon completion of the Transactions, Mayfield proposes to issue:

- 7,619,047 Shares to sophisticated, professional and institutional investors under the Placement; and
- 21,704,347 Shares to the Genius Education Shareholder as part consideration under Tranche 1 of the Share Sale Agreement.

Up to an additional 6,212,331 Shares are proposed to be issued to the Genius Education Shareholder if the performance hurdles are achieved under the Share Sale Agreement and the Maximum Earn Out Shares are issued under Tranche 2 of the Share Sale Agreement.

Mayfield also proposes to undertake an SPP in which eligible Shareholders will be entitled to participate.

8.7 How will the Enlarged Mayfield be financed?

It is expected that the Enlarged Mayfield's operations in the short term will be financed out of cash balances and some operating cash flows. After Completion, it is possible the Enlarged Mayfield may need to raise further capital to continue to fund its ongoing working capital requirements, however, at the time of this Notice of Meeting, this is not expected to occur.

(a) Pro forma net cash

The Enlarged Mayfield had pro forma (unaudited) cash of \$1,655,299 at 30 June 2021.

(b) Transaction costs

Certain costs will be incurred by Mayfield in connection with the Transactions, which include due diligence, advisor, legal, printing and other service provider costs which are estimated at \$1,250,000 in total. These costs will be funded from the proceeds of the Placement and the SPP.

(c) Pro forma equity and indebtedness

The table below sets out the expected equity and indebtedness of the Enlarged Mayfield at completion of the Transactions.

Item	30 June 2021 (\$'000)
Cash	\$1,655
Current Debt	\$1,072
Non-current Debt	\$8,171
Net Debt (Total Debt less Cash)	\$7,588
Total Equity (Net Assets)	\$32,211

8.8 Who will be the directors of the Enlarged Mayfield?

On completion of the Transactions, the board of Mayfield will continue to comprise the following Directors:

- Peter Lowe – Chairman and Non-Executive Director;

- Dean Clarke – Executive Director and Chief Executive Officer; and
- Michelle Clarke – Executive Director.

Subject to Completion, the Genius Education Shareholder is entitled to nominate two directors to be appointed to the Mayfield Board. The Genius Education Shareholder has nominated Lubna Matta and David Niall. The appointments of Lubna Matta and David Niall as Directors are proposed to take place on Completion. Both will be non-executive Directors upon their appointment.

Profiles of the Proposed Directors are set out in Section 4.11.

8.9 Who will be the senior management of the Enlarged Mayfield?

On completion of the Transactions, the senior management of Mayfield will not change and will continue to comprise the following:

- Dean Clarke – Chief Executive Officer;
- Glenn Raines – Chief Financial Officer;
- Michelle Clarke – Quality Improvement Advisor; and
- Ellen Porter – National Operations Manager.

8.10 What are the interests of the Enlarged Mayfield's directors on completion of the Transactions?

Immediately following completion of the Transactions, the number of Shares owned or controlled by the Directors (including the Proposed Directors) as at that time will be as follows:

Director	No. of Shares	% of all Shares on issue post-Transactions
Peter Lowe	362,702	0.5%
Dean ³ & Michelle Clarke	3,563,540	5.2%
Lubna Matta	Nil	n/a
David Niall	Nil	n/a

8.11 Corporate governance of the Enlarged Mayfield

The Board is responsible for the corporate governance of Mayfield.

The Enlarged Mayfield intends to remain listed on ASX.

The ASX Corporate Governance Council has developed and released the Corporate Governance Principles and Recommendations, 4th edition (**ASX Recommendations**) for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The Enlarged Mayfield is required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period.

The Board believes it is important that the Enlarged Mayfield is properly managed to protect and enhance Shareholder interests, and that the Enlarged Mayfield, its Directors, officers, employees and contractors operate in an appropriate environment.

The Board believes, notwithstanding the substantial changes to Mayfield as a result of the completion of the Transactions and the issue of the Shares to the Genius Education Shareholder that Mayfield will still in most respects comply with the ASX Recommendations.

³ Dean Clarke would be beneficially entitled to 3,465,971 ordinary shares.

The Enlarged Mayfield intends that Mayfield's existing charters, policies and procedures will remain effective immediately following completion of the Transactions. Those corporate governance charters and policies reflect the ASX Recommendations to the extent the Board considers it reasonable for Mayfield to comply with them.

8.12 Dividend policy of the Enlarged Mayfield

The Board will consider dividend levels from time to time, taking into account such factors including maintenance of a prudent level of working capital reserves and subject always to all relevant laws.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

8.13 Voluntary escrow

The Genius Education Shareholder has agreed to enter into a voluntary escrow deed restricting the disposal of any interest in any of the Mayfield Shares to be issued to it under Tranche 1 and 50% of the Mayfield Shares to be issued to it under Tranche 2 (**Escrowed Shares**).

The Escrowed Shares will be escrowed for a period of 24 months from Completion unless the actual audited CY22 EBITDA is achieved, in which case 50% of the Mayfield Shares issued to the Genius Education Shareholder under Tranche 1 will be released from escrow.

Base Consideration

At Completion, the following voluntary escrow arrangements will be in place in respect of Mayfield:

Shareholder	Escrow Shares	% holding	Expected % of Mayfield Shares
Genius Education Holdings Pty Ltd	21,704,347	100%	35.2%

The Escrowed Shares referred to above will give Mayfield a relevant interest in 21,704,347 Shares (or approximately 35.2% of its Shares) on issue at Completion.

Earn Out Consideration

If the Maximum Earn Out Shares are payable to the Genius Education Shareholder under Tranche 2 of the Share Sale Agreement, the following voluntary escrow arrangements will be in place in respect of Mayfield following the payment of the earn out consideration:

Shareholder	Escrow Shares	% holding	Expected % of Mayfield Shares
Genius Education Holdings Pty Ltd	13,958,339	50%	20.5%

As noted above, if the actual audited CY22 EBITDA for Genius Education is achieved, 50% of the Shares issued to the Genius Education Shareholder as part of Tranche 1 will be released from escrow.

The Escrowed Shares referred to above will give Mayfield a relevant interest in 13,958,339 Shares (or approximately 20.5% of its Shares) on issue of the Maximum Earn Out Shares.

Chapter 6 of the Corporations Act

As a result of Mayfield entering into an escrow deed with the Genius Education Shareholder, Mayfield may be found to have acquired a relevant interest in the Escrowed Shares pursuant to section 608 of the Corporations Act as Mayfield will control the exercise of the power to dispose of the Escrowed Shares. As such, Mayfield will be subject to the takeover provisions in Chapter 6 of the Corporations Act.

Mayfield has applied to ASIC for relief in relation to the voluntary escrow arrangements with the Genius Education Shareholder so as to avoid a technical breach of Chapter 6 of the Corporations Act. Mayfield expects to receive this relief prior to the Meeting.

9 Financial information

This Section 9 provides an overview of relevant financial information relating to Mayfield and Genius Education and the Enlarged Mayfield on Completion.

9.1 Introduction

This Section 9 comprises a summary of the financial information that the Directors consider is relevant for:

- Mayfield for the half year ended 30 June 2021;
- Genius Education for the half year ended 30 June 2021; and
- the Enlarged Mayfield on Completion.

As Genius Education is a newly established company, it has no historical financial information. Therefore, the financial information pertaining to Genius Education in this Section 9 is pro forma financial information relating to the Acquisition Centres.

9.2 Overview and basis of preparation

(a) Financial Overview

Section 9.3 contains a summary of the following financial information in relation to Mayfield, Genius Education and the Enlarged Mayfield:

- (i) an extract of the historical Statement of Profit & Loss for the half year ended 30 June 2021, as set out in Section 9.3(a); and
- (ii) an extract of the historical Statement of Financial Position as at 30 June 2021, as set out in Section 9.3(b),

(Historical Financial Information).

The Historical Financial Information relating to Mayfield summarises selected financial data derived from Mayfield's latest financial statements for the half year ended 30 June 2021, which were reviewed by its external auditor. The information so derived is prepared on an underlying (pre-AASB 16 Leases) basis and uses 'non-IFRS financial information' (refer to Section 1.8 for further explanation).

Mayfield is listed on ASX and is obligated to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

Announcements made by Mayfield to the ASX Company's announcement platform are available from the ASX website at www.asx.com.au.

As Genius Education is a newly established company, it has no historical financial information. Therefore, the Historical Financial Information relating to Genius Education summarises selected financial data, on a pro forma basis, derived from the Genius Group's financial statements for the half year ended 30 June 2021, which (as at the date of this Notice of Meeting) are yet to be audited. The information so derived is prepared on an underlying (pre-AASB 16 Leases) basis and uses 'non-IFRS financial information' (refer to Section 1.8 for further explanation).

The pro forma historical financial information provided in respect of Genius Education is focused on the 14 Acquisition Centres that are being transferred to Genius Education as part of the Genius Restructure, and do not relate to the full suite of childcare centres owned and operated by the Genius Group at the date of this Notice of Meeting.

(b) Basis of Preparation

The Historical Financial Information has been prepared in accordance with Australian Accounting Standards, with the exception of AASB 16 *Leases*, which has not been applied (refer to Section 1.8 for further explanation), other authoritative pronouncements of the Australian

Accounting Standards Board and the Corporations Act. These have been prepared in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards, with the exception of AASB 16 Leases, which has not been applied (refer to Section 1.8 for further explanation). The Historical Financial Information is presented in an abbreviated form and does not include all of the disclosures usually provided in financial statements prepared in accordance with the Corporations Act.

The information set out in Section 9.3 should be read together with:

- (i) the information outlined in Sections 6 and 7; and
- (ii) the risk factors described in Section 10.

The Pro Forma Historical Financial Information relating to the Enlarged Mayfield has been prepared in order to give investors a guide as to the performance and position as if the Transactions had taken place at 30 June 2021 and in the circumstances noted in this Notice of Meeting, and does not purport to state the actual financial performance and position at the time the Transactions are effected and implemented.

Investors should be aware that past performance is not an indication of future performance.

9.3 **Historical Financial Information – Mayfield, Genius Education and Enlarged Mayfield**

(a) **Historical Statement of Profit & Loss**

The following historical Statement of Profit & Loss for Mayfield has been extracted from the reviewed financial statements of Mayfield for the half year ended 30 June 2021.

The following Statement of Profit & Loss for Genius Education is a pro forma statement for the reason that Genius Education is a newly established company that was not registered until after 30 June 2021. Accordingly, the pro forma statement of profit and loss provided in respect of Genius Education is focused on the performance of the 14 Acquisition Centres that are being transferred to Genius Education as part of the Genius Restructure for the half year ended 30 June 2021.

The Pro Forma Profit & Loss Statement – Enlarged Mayfield has been prepared in order to give investors a guide as to financial performance, as if the Transactions had taken place at 30 June 2021 and in the circumstances noted in this Notice of Meeting, and does not purport to state the actual financial performance at the time the Transactions are effected and implemented.

With respect to the 14 Acquisition Centres being transferred to Genius Education as part of the Genius Restructure, the Genius Group commenced the half-year ended 30 June 2021 with:

- (i) 4 childcare centres of the 14 Acquisition Centres having commenced trading in late CY 2019, shortly before the impact of the COVID-19 pandemic;
- (ii) 8 childcare centres of the 14 Acquisition Centres having commenced trading during CY 2020, during the COVID-19 pandemic; and
- (iii) 2 childcare centres of the 14 Acquisition Centres having only commenced trading during H1 CY 2021, also during the COVID-19 pandemic,

therefore the EBITDA performance for the period in respect of the 14 Acquisition Centres was the result of all 14 childcare centres being in either start-up or trade-up phase. This should be taken into consideration when considering the future earning potential of the childcare centres, as it is expected that profitability will grow as a result of increased occupancy as the childcare centres mature over time.

Statement of Financial Performance

Underlying (pre-AASB16 Leases) for the half-year ended 30 June 2021

	Mayfield	Proforma Genius Education	Proforma Enlarged Mayfield
	\$'000	\$'000	\$'000
Childcare Services	17,482	11,438	28,920
Other Income	2	126	128
Total Revenue	17,484	11,564	29,048
Centre Labour Costs	(10,411)	(7,448)	(17,859)
Centre Operating Expenses	(809)	(1,399)	(2,208)
Centre Facilities Costs (incl. Rent Expense)	(2,502)	(1,517)	(4,019)
Centre EBITDA	3,762	1,200	4,962
HO Staff & Related Costs	(732)	(383)	(1,115)
Other Corporate Overheads (incl. Rent Expense)	(381)	(173)	(554)
Underlying EBITDA	2,649	644	3,293

Reconciliation of Underlying EBITDA to Statutory EBITDA¹			
Underlying EBITDA	2,649	644	3,293
<i>Reversal of Rent Expense</i>			
Centre Facilities Costs (incl. Rent Expense)	1,959	1,450	3,409
Other Corporate Overheads (incl. Rent Expense)	67	28	95
Total Rent Expense reversed	2,026	1,478	3,504
Statutory EBITDA	4,675	2,122	6,797

1. Under AASB 16 *Leases* Rent Expense is apportioned between Finance Costs, which are not included in EBITDA, and reducing the Lease Liability, which is disclosed in the statement of financial position.

(b) Historical Statement of Financial Position

The historical Statement of Financial Position for Mayfield has been extracted from the reviewed financial statements of Mayfield as at 30 June 2021.

The historical Statement of Financial Position for Mayfield and Genius Education has been extracted from the reviewed financial statements of Mayfield and the financial statements of Genius Education respectively as at 30 June 2021.

The following Statement of Financial Position for Genius Education is a pro forma statement for the reason that Genius Education is a newly established company that was not registered until after 30 June 2021. Accordingly, the pro forma statement of financial position provided in respect of Genius Education is focused on the net asset position in relation to the 14 Acquisition Centres that are being transferred to Genius Education as part of the Genius Restructure as at 30 June 2021.

Statement of Financial Position

Underlying (pre-AASB16 Leases) as at 30 June 2021

	Mayfield	Proforma Genius Education
	\$'000	\$'000
Assets		
Cash & cash equivalents	1,655	624
Trade & other receivables	533	4,556
Prepayments	219	35
Security Deposits	-	1,205
Deposits on Business Acquisitions	237	-
Current assets	2,644	6,420
Other receivables	-	353
Plant & equipment	2,759	2,026
Deferred tax assets	540	-
Intangibles	39,638	1,521
Non-current assets	42,937	3,900
Total Assets	45,581	10,320
Liabilities		
Trade & other payables	2,503	6,001
Borrowings	1,072	-
Tax liabilities	(7)	-
Provisions	1,678	668
Current liabilities	5,246	6,669
Borrowings	8,171	-
Provisions	106	24
Non-current liabilities	8,277	24
Total Liabilities	13,523	6,693
Underlying Net Assets	32,058	3,627

Reconciliation of Underlying Net Assets to Statutory Net Assets²

Underlying Net Assets	32,058	3,627
<i>Adjustments to Underlying Net Assets:</i>		
Non-current assets		
Plant and equipment	(30)	-
Deferred tax	431	(369)
Right-of-use assets	25,510	79,951
	25,911	79,582
Current liabilities		
Leases	3,466	6,561
Borrowings	(15)	-
	3,451	6,561
Non-current liabilities		
Leases	23,671	80,244
	23,671	80,244
Net Adjustment to Underlying Net Assets	(1,211)	(7,223)
Statutory Net Assets	30,847	(3,596)

2. Under AASB 16 *Leases* the financial rights and financial obligations that come with being a commercial property tenant are recognised in the statement of financial position as Right-of-use Assets and Lease Liabilities respectively.

□

Note the following:

- Statement of Financial Position for Mayfield has been extracted from the reviewed financial statements of Mayfield as at 30 June 2021;

- Statement of Financial Position for Genius Education pre-Completion is a pro forma statement that has been based on the assets to be acquired, and obligations to be assumed, by Genius Education from the Genius Group as part of the Genius Restructure and by Mayfield as a consequence of the Transactions and does not purport to state the actual financial position at the time the Transactions are effected and implemented; and
- Pro Forma Statement of Financial Position – Enlarged Mayfield at Completion has been prepared in order to give investors a guide as to financial position, as if the Transactions had taken place at 30 June 2021 and in the circumstances noted in this Notice of Meeting, and does not purport to state the actual financial position at the time the Transactions are effected and implemented.

Statement of Financial Position

Underlying (pre-AASB16 Leases)

	Mayfield 30 Jun 2021	Proforma Genius Education pre-Completion	Proforma Enlarged Mayfield at Completion
	\$'000	\$'000	\$'000
Assets			
Cash & cash equivalents	1,655	-	1,655
Trade & other receivables	533	-	533
Prepayments	219	85	304
Deposits on Business Acquisitions	237	-	237
Current assets	2,644	85	2,729
Plant & equipment	2,759	829	3,588
Deferred tax assets	540	-	540
Intangibles	39,638	-	39,638
Non-current assets	42,937	829	43,766
Total Assets	45,581	914	46,495
Liabilities			
Trade & other payables	2,503	-	2,503
Borrowings	1,072	-	1,072
Tax liabilities	(7)	-	(7)
Provisions	1,678	737	2,415
Current liabilities	5,246	737	5,983
Borrowings	8,171	-	8,171
Provisions	106	24	130
Non-current liabilities	8,277	24	8,301
Total Liabilities	13,523	761	14,284
Underlying Net Assets	32,058	153	32,211

Reconciliation of Underlying Net Assets to Statutory Net Assets³			
Underlying Net Assets	32,058	153	32,211
<i>Adjustments to Underlying Net Assets:</i>			
Non-current assets			
Plant and equipment	(30)	-	(30)
Deferred tax	431	-	431
Right-of-use assets	25,510	79,951	105,461
	25,911	79,951	105,862
Current liabilities			
Leases	3,466	6,561	10,027
Borrowings	(15)	-	(15)
	3,451	6,561	10,012
Non-current liabilities			
Leases	23,671	80,244	103,915
	23,671	80,244	103,915
Net Adjustment to Underlying Net Assets	(1,211)	(6,854)	(8,065)
Statutory Net Assets	30,847	(6,701)	24,146

3. Under AASB 16 *Leases* the financial rights and financial obligations that come with being a commercial property tenant are recognised in the statement of financial position as Right-of-use Assets and Lease Liabilities respectively.

Investors should be aware that past performance is not an indication of future performance.

9.4

Transaction costs

Mayfield expects to incur transaction costs of approximately \$1,250,000 if the Transactions complete.

10 Risk Factors

Before deciding how to vote on the Resolutions, you should carefully consider the risk factors discussed in this Section 10 and other information contained in this document and seek independent professional advice.

This Section 10 provides a summary of risks only. It does not take into account the investment objectives, financial situation, taxation position or particular needs of Shareholders.

Additional risks and uncertainties not currently known to Mayfield, or which Mayfield considers to be immaterial, may also have an adverse effect on the value of Shares. The information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of all possible risks.

10.1 Introduction

This Section 10 outlines the key risks, but not all risks, associated with an investment in the Enlarged Mayfield and the value of the Shares and other risks of which Shareholders should be aware.

These risks include risks specific to the Transactions, risks to the Enlarged Mayfield and general risks.

10.2 Risks specific to the Transactions

(a) Contractual risk

Completion of the Acquisition is subject to the fulfilment of certain conditions precedent, particularly those as set out in the Share Sale Agreement. The ability of Mayfield to achieve its stated objectives will depend on the performance by the parties of their obligations under the Share Sale Agreement and the Ancillary Agreements. If any party defaults in the performance of their obligations, it may be necessary for Mayfield to approach a court to seek a legal remedy, which can be costly.

(b) Reliance risk

The information in relation to the Genius Group in this Notice of Meeting and on which Mayfield has relied on in relation to the Transactions has been derived from information made available to Mayfield by the Genius Group during Mayfield's due diligence process in connection with the Acquisition.

Whilst Mayfield has conducted due diligence on the Genius Group, Mayfield is unable to verify the accuracy or the completeness of the information provided to it by the Genius Group and there is no assurance that the due diligence was conclusive and that all material issues and risks in relation to the Acquisition and the Genius Group have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by the Genius Group (in particular, Genius Education) are weaker than those indicated by Mayfield's analysis, there is a risk that the future results of the operations of the Enlarged Mayfield may differ (including in a materially adverse way) from Mayfield's expectations as reflected in this Notice of Meeting, or that additional liabilities of a material nature may emerge. While Mayfield has obtained warranties from the Genius Education Shareholder with respect to these matters, there can be no assurance that these warranties will provide complete coverage of Mayfield's risks.

(c) Risk of high volume of Share sales

Subject to completion of the Transactions, Mayfield will have issued a significant number of new Shares to various parties. The shareholders that receive Shares as a result of the Placement may not intend to continue to hold those Shares and may wish to sell them on ASX. There is a risk that an increase in the amount of people wanting to sell their Shares may adversely impact the market price of Mayfield's Shares. There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price of Shares offered.

(d) Genius Education's current operations

There is no assurance that the financial performance of Genius Education's group of childcare centres will continue to follow the historical and current growth rates that the Genius Education is achieving, which would impact the Genius Education Shareholder's ability to achieve the CY 22 EBITDA target of at least \$8,000,000. Occupancy levels, operating costs and in turn operating margins may fluctuate contrary to historical and assumed levels which would have a direct impact on Genius Education's business and financial position.

10.3 Risks specific to the Enlarged Mayfield

(a) Integration risk

The Acquisition has the potential for integration risk. As two separate businesses (though similar) integrate and form the Enlarged Mayfield, there is the potential for the integration of technology, processes, information, departments and organisations to fail.

Mayfield believes it has the appropriate practices and processes, supported by a risk-aware culture and enabling technology, which would help to mitigate any integration risk. However, in general, integration can be a complicated process that requires multiple levels of coordination, with each level posing its own risks.

(b) Concentration of shareholding

Following completion of the Transactions, the Genius Education Shareholder will hold approximately 35.2% of the Shares in Mayfield. In addition, in the event that the Maximum Earn Out Shares are issued under Tranche 2, the Genius Education Shareholder will hold approximately 41.1% of the Shares in Mayfield.

Accordingly, the Genius Education Shareholder may be in a position to very strongly influence the election of the Directors, the appointment of new management and the potential outcome of matters submitted to a vote of the Shareholders. Given this strong influence the Genius Education Shareholder will have, there is a risk that Mayfield's business strategy may undergo wholesale changes, and if that occurs, there is no guarantee that any such changes will be any more successful than Mayfield's current business strategy.

(c) COVID-19 pandemic

The ongoing COVID-19 global pandemic and associated economic uncertainty continues to impact the global economy and financial markets, including Australian and international equity markets. As a result, there is increased risk associated with making investment decisions in this environment.

Measures taken by any government agency or regulatory body in response to the COVID-19 pandemic are likely to be outside the control of the Enlarged Mayfield. If COVID-19 outbreaks, lockdowns and restrictions continue to occur in Australia and overseas, there may be impacts for the Australian and international economy, the Enlarged Mayfield's business activity and the market for Mayfield's Shares.

(d) Changes in laws and regulations

The Australian childcare sector is heavily regulated by the *Education and Care Services National Law Act 2010* (Vic), which has been adopted by all Australian States and Territories. Additionally, supporting regulations prescribe frameworks for the operation of childcare centres in each State. Consequently, changes to the wording, administration or interpretation of the relevant legislation, regulations and policy governing the childcare sector may have adverse effects on Mayfield's business and financial position.

Changes to government regulation and law which might affect Mayfield include, but are not limited to, legislative changes that affect operational factors such as staff ratios and employment qualification criteria, government policy or legislation that affects the demand for childcare services and changes to government funding and subsidies.

(e) Government funding changes

A significant amount of Mayfield's revenue comes from Commonwealth Government assistance. The Child Care Subsidy introduced in July 2018 has been implemented to provide assistance and accessibility for families to childcare.

Government funding is subject to review and alteration at any time by the Commonwealth Government. Any changes reducing the funding to childcare operators or to the eligibility criteria for receiving the assistance could have adverse impacts on Mayfield's business and financial position.

(f) **Registration, assessment and regulation risk**

All childcare centres in Australia must be registered under the National Quality Framework for Early Childhood Education and Care (**NQF**) in order to qualify for Government funding. The Australian Children's Education and Care Quality Authority (**ACECQA**) is responsible for the monitoring of this process and for conducting inspections and assessments of childcare centres.

ACECQA undertakes inspections and assessments to ensure compliance with relevant regulations and provides a rating to individual childcare centres. An unsatisfactory evaluation (reflected in a poor rating) may result in the withdrawal of an Enlarged Mayfield childcare centre's registration and/or Government subsidies. If this occurs, this could have an adverse effect on the Enlarged Mayfield's business and financial position.

(g) **Occupancy**

There is no assurance that occupancy levels at the Enlarged Mayfield childcare centres will continue to follow historical occupancy trends. Occupancy may fluctuate contrary to the Enlarged Mayfield's historical experience or estimations. Fluctuating occupancy levels (whether increasing or decreasing) will have a direct impact on the financial performance and earnings of the Enlarged Mayfield.

(h) **Competition risk**

The Australian childcare industry is highly competitive. The Enlarged Mayfield will be competing against other long day care services providers as well as outside school hours providers. Competition between childcare service providers is generally based on the quality of the relevant childcare centres and the care provided, coupled with location and the cost of the services. If a childcare centre is established by a competitor in a close proximity to an Enlarged Mayfield childcare centre, this may adversely affect the Enlarged Mayfield's business and financial position.

The Enlarged Mayfield must also respond to the ever-changing competitive landscape. Entry by new competitors may mean increased consolidation of the sector, reducing potential acquisition target, whilst current competitors also compete with the Enlarged Mayfield for acquisition targets.

(i) **Key personnel risk**

The responsibility of overseeing the day-to-day operations and the strategic management of the Enlarged Mayfield depends substantially on its ability to attract and retain qualified and experience staff.

There is no guarantee that Mayfield will be able to attract and retain its key personnel.

Any difficulty in so far as attracting or retaining staff could disrupt and materially affect the operations of Mayfield in the short to medium term. Such occurrences could reduce Mayfield's competitiveness, disrupt operations or adversely affect Mayfield's business and financial position.

(j) **Funding risk**

Changes in the availability and the cost of current and future borrowings may impact the Enlarged Mayfield's earnings.

(k) **Dividends**

There are a range of factors that determine and will determine the payment of dividends by the Enlarged Mayfield. These factors include the profitability of the Enlarged Mayfield, its cash reserves and future capital requirements.

There is no guarantee that any dividend will be declared and paid by the Enlarged Mayfield or any guarantee that future dividends will equal or exceed previous dividend payments.

(l) **Dilution risk**

There is a risk that the interests of Shareholders will be further diluted as a result of further capital raisings or equity issues required in order to fund the development of the Enlarged Mayfield's business.

10.4 **General risks**

(a) **General equity market risks**

The price at which Shares trade on ASX may be affected by a number of factors, including the financial and operating performance of Mayfield and external factors over which Mayfield and its Directors have no control.

These external factors include actual, expected and perceived general economic conditions, changes in government policy or regulation, significant events such as natural disasters or acts of terrorism, epidemics and pandemics, investor attitudes, changes in taxation, movements in interest rates, movements in stock markets, and general conditions in the markets in which Mayfield will operate.

In addition, investors should consider the historical volatility of Australian and overseas share markets.

(b) **Economic conditions**

The performance of Mayfield is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some or all of the matters listed below, each of which is inherently uncertain:

- (i) the future demand and occupancy levels of Mayfield's childcare centres;
- (ii) general financial issues which may affect policies, exchange rates, inflation and interest rates;
- (iii) deterioration in economic conditions, possibly leading to reductions in business spending and other potential revenues which could be expected to have a corresponding adverse impact on Mayfield's operating and financial performance;
- (iv) the strength of the equity and share markets in Australia and throughout the world;
- (v) financial failure or default by any entity with which a member of Mayfield is or may become involved in a contractual relationship; and
- (vi) industrial disputes in Australia and overseas.

(c) **Geo-political factors**

Mayfield may be affected by the impact that geo-political factors have on the world or Australian economy or on financial markets and investments generally or specifically. This may include international wars, terrorist type activities and governmental responses to such activities.

(d) **Litigation**

Mayfield may in the ordinary course of business become involved in litigation and disputes. Any litigation or dispute could be costly and damaging to Mayfield's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

(e) **Taxation**

Changes in tax laws including income tax, capital gains tax, GST or stamp duty legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities, or the way they are interpreted, may adversely affect Mayfield's financial position or performance.

(f) **Accounting standards**

Australian accounting standards are subject to change from time to time which could adversely affect Mayfield's reported earnings performance in any given period and its financial position or performance from time to time.

11 Additional Information

This Section provides you with additional information regarding the Transactions.

11.1 Share Sale Agreement

On 1 November 2021, Mayfield announced that it had entered into the Share Sale Agreement under which Mayfield has agreed to acquire 100% of the issued share capital of Genius Education for a combination of cash consideration and the issue of new Shares to the Genius Education Shareholder.

The key terms of the Share Sale Agreement are set out below.

Topic	Summary
Outline of proposed transaction	<p>Mayfield has entered into a Share Sale Agreement dated 1 November 2021 to acquire 100% of the issued share capital in Genius Education, subject to customary conditions including Mayfield obtaining the required shareholder approvals.</p> <p>The consideration payable by Mayfield to the Genius Education Shareholder will comprise a combination of cash and the issue of new Mayfield Shares.</p>
Purchase price	<p>Subject to Shareholder approval, Mayfield is acquiring 100% of the issued shares in Genius Education from the Genius Education Shareholder for the following consideration:</p> <ul style="list-style-type: none"> at Completion, cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) and 21,704,347 ordinary shares in Mayfield at \$1.15 per Share (Tranche 1); and cash and additional new ordinary shares in Mayfield (to a maximum of 6,212,331 new Shares) at \$1.15 per Share subject to achievement of an agreed forecast EBITDA target amount of at least \$8,000,000 for Genius Education for the 12 months ending 31 December 2022 (Tranche 2). <p>Under Tranche 1, Mayfield has agreed to pay the Genius Education Shareholder consideration equal to \$31,200,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) (Base Consideration).</p> <p>The Base Consideration is payable as follows:</p> <ul style="list-style-type: none"> cash of \$6,240,000 (less adjustments on account of the leave entitlements of Genius Education employees as well as certain prepayments and outgoings) (Base Cash Consideration); and \$24,960,000 in fully paid ordinary shares in Mayfield, at a share price of \$1.15 per Share, being 21,704,347 Shares (Base Consideration Shares). <p>The issue price of \$1.15 per Share (Mayfield Share Issue Price) compares favourably to the following:</p> <ul style="list-style-type: none"> 5 day VWAP of Shares of \$1.1377 ending on 11 October 2021; 20 day VWAP of Shares of \$1.1166 ending on 11 October 2021; and 30 day VWAP of Shares of \$1.1109 ending on 11 October 2021. <p>Under Tranche 2, if the EBITDA of Genius Education meets or exceeds the actual audited CY22 EBITDA target amount of at least \$8,000,000, the Genius Education Shareholder will be entitled to total earn out consideration equal to</p>

Topic	Summary
	<p>1.0x the actual audited CY22 EBITDA of Genius Education (Earn Out Consideration).</p> <p>The Earn Out Consideration is payable as follows:</p> <ul style="list-style-type: none"> the number of Mayfield Shares to be issued as part of the Earn Out Consideration is the lesser of an amount of Mayfield Shares that is equal to: <ul style="list-style-type: none"> 80% of the actual audited CY22 EBITDA of Genius Education divided by the Mayfield Share Issue Price; and 6,212,331 new Shares (Maximum Earn Out Shares) issued at the Mayfield Share Issue Price; and the amount of cash payable as part of the Earn Out Consideration is of the total Earn Out Consideration less the amount of Earn Out Consideration payable in Shares, as set out above (Earn Out Cash Consideration).
Conditions precedent	<p>Completion of the Share Sale Agreement is conditional on, among other things:</p> <ul style="list-style-type: none"> Shareholders approving the Resolutions set out in this Notice of Meeting; completion of the Genius Restructure; execution and exchange of the Ancillary Agreements; completion of the Placement (but not the SPP); any material third party or regulatory approvals or consents (including from third party landlords, ASX and ASIC) reasonably required or desired by Mayfield to be obtained in connection with the acquisition of the shares in Genius Education or the issue of the new Mayfield Shares to the Genius Education Shareholder being obtained on terms reasonably satisfactory to Mayfield; and there being no material adverse change in relation to Genius Education or Mayfield prior to Completion.
Warranties and indemnities	<p>The Genius Education Shareholder and Mayfield give warranties and indemnities to each other that would be typical for a seller of shares in Genius Education (in the case of the Genius Education Shareholder) or buyer of shares in Genius Education the consideration for which includes the issue of new Shares in the buyer (in the case of Mayfield).</p>
Period before Completion	<p>The Genius Education Shareholder must ensure that Genius Education carries on its business in the ordinary and normal course and, in particular, Genius Education must not agree or commit to do certain specified actions, except as expressly permitted by the Share Sale Agreement or as consented to by Mayfield.</p> <p>Mayfield must carry on its business in the ordinary and normal course and, in particular, Mayfield must not agree or commit to do certain corporate actions (eg, share buybacks, declare or pay dividends), except as expressly permitted by the Share Sale Agreement or as consented to by the Genius Education Shareholder.</p>

11.2 Placement

Mayfield will also raise \$8,000,000 in cash from the Placement, under which it will issue 7,619,047 new Shares at \$1.05 per Share to sophisticated, professional and institutional investors.

11.3 Share Purchase Plan (SPP)

Mayfield is undertaking an offer of new Shares to eligible Mayfield shareholders in Australia and New Zealand (including Mayfield Directors and senior executives) under a share purchase plan to raise up to \$1,000,000 from the issue of up to 952,380 new Shares at \$1.05 per Share.

11.4 Independent Expert's Report

In accordance with the requirements of ASIC's Regulatory Guide 74, Mayfield engaged the Independent Expert to prepare and provide the Independent Expert's Report, which contains an analysis of whether the Acquisition is fair and reasonable to the Shareholders.

The Independent Expert's Report compares the likely advantages and disadvantages for the Shareholders if the Acquisition is agreed to, with the advantages and disadvantages to the Shareholders if it is not implemented.

The Independent Expert has concluded that the Acquisition is not fair, but reasonable to non-associated Shareholders of Mayfield. For a summary of the Independent Expert's findings, please refer to the Independent Expert's Report.

The Independent Expert has given, and has not before the date of this Notice of Meeting withdrawn, its consent to the inclusion of the Independent Expert's Report in this Notice of Meeting and to the references to the Independent Expert's Report in this Notice of Meeting being made in the form and context in which each such reference is included.

11.5 No requirement to satisfy ASX admission requirements

Mayfield has consulted ASX with respect to the Transactions and ASX has provided in-principle advice that it will not require Mayfield to seek approval of its shareholders under ASX Listing Rules 11.1.2 and 11.1.3 and will not require Mayfield to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

11.6 Further information about the Resolutions

(a) Resolution 1 – Approval of the issue of Shares under the Placement

The Resolution seeks the approval of the Shareholders to the issue of new Mayfield Shares under the Placement for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that an ASX listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue securities if the number of securities issued, when aggregated with the number of securities issued by the company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period. Under ASX Listing Rule 7.1A, eligible ASX listed companies have the opportunity to extend their placement capacity to 25% in a 12 month period, with shareholder approval. Mayfield obtained such approval at its Annual General Meeting held on 31 March 2021.

The Placement Shares will exhaust Mayfield's existing placement capacity under ASX Listing Rules 7.1 and 7.1A. It is for this reason that Shareholder approval for the purposes of ASX Listing Rule 7.1 is sought.

ASX Listing Rule 7.3 requires the following information in relation to Resolution 1 to be provided:

Participants	Sophisticated, professional and institutional investors (including Mayfield Directors)
Number of Shares to be issued	Up to 7,619,047

The date by which the Shares will be issued	10 December 2021
Issue price	\$1.05 per Share
Terms	The new Shares will rank equally in all respects with the existing Shares on issue
Voting exclusion statement	A voting exclusion statement is set out in the Notice of Meeting for Resolution 1
Use of funds	The funds raised from the Placement will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions

Recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

(b) **Resolutions 2 & 3 – Approval for Director participation in the Placement**

The Resolutions seek the approval of the Shareholders to the issue of new Mayfield Shares to Directors under the Placement for the purposes of ASX Listing Rule 10.11.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that an ASX listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue equity securities to a related party.

The Shares to be issued to each of the Directors the subject of Resolutions 2 and 3 requires Shareholder approval under ASX Listing Rule 10.11 as each of the Directors are related parties of Mayfield for the purposes of the ASX Listing Rules.

ASX Listing Rule 10.13 requires the following information in relation to Resolutions 2 – 4 to be provided:

	Resolution 2	Resolution 3
Name of person being issues Shares	Dean Clarke and Michelle Clarke (or their nominee)	Peter Lowe (or his nominee)
Category the person falls within in ASX Listing Rule 10.11	Both are a related party by virtue of being a Director	A related party by virtue of being a Director
Maximum number of Shares to be issued	95,238	66,666
The date by which the Shares will be issued	10 December 2021	10 December 2021
Issue price	\$1.05 per Share	\$1.05 per Share
Terms	The new Shares will rank equally in all respects with the existing Shares on issue	

Voting exclusion statement	A voting exclusion statement is set out in the Notice of Meeting for Resolutions 2 and 3
Use of funds	The funds raised from the issue of Shares to the Directors are part of the total funds being raised under the Placement. The funds raised from the Placement will be used to fund the Base Cash Consideration under Tranche 1 and pay for Mayfield's costs in connection with the Transactions

The Directors consider that the proposed issue of Shares the subject of Resolutions 2 and 3 is on arm's length terms and, as such, falls within the exception set out in section 210 of the Corporations Act. The independent Board (in relation to Resolutions 2 and 3) have reached the view as the terms upon which Dean and Michelle Clarke and Peter Lowe will acquire the Shares are the same terms as those terms upon which the other participants will acquire Shares under the Placement.

Recommendations

In relation to Resolution 2, the independent Board (being those Directors other than Dean Clarke and Michelle Clarke) recommend that Shareholders vote in favour of this Resolution.

In relation to Resolution 3, the independent Board (being those Directors other than Peter Lowe) recommend that Shareholders vote in favour of this Resolution.

(c) **Resolution 4 – Approval of the issue of Shares under the Acquisition**

The Resolution seeks the approval of the Shareholders to the acquisition of new Mayfield Shares by the Genius Education Shareholder for the purposes of Chapters 6 of the Corporations Act.

Chapter 6 of the Corporations Act

Pursuant to section 606 of the Corporations Act, a person must not acquire shares in an ASX listed company if it causes their voting power in the company to increase from 20% or below to more than 20% or from a starting point that is above 20% and below 90%, unless certain limited exceptions apply.

A person's voting power in a designated body is defined as all of the votes attaching to voting shares of the designated body in which that person and its Associates have a Relevant Interest, as a proportion of the total votes attaching to all of the voting shares in the designated body. Under section 608(1) of the Corporations Act, a person has a Relevant Interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities.

Under item 7 of section 611 of the Corporations Act, an acquisition previously approved by a resolution passed at a general meeting of the listed company is exempt from the prohibition in section 606.

There is no pre-existing relation between the Genius Education Shareholder and Mayfield, other than the relationship of buyer and seller created by the Share Sale Agreement.

Resolution 4 seeks approval for the issue of 21,704,347 Shares under Tranche 1 and the issue of up to an additional 6,212,331 Shares under Tranche 2 to the Genius Education Shareholder under the Share Sale Agreement.

If Shareholders vote in favour of the Resolutions, and Completion occurs, then upon completion of the Transactions, approximately 35.2% of the Shares of Mayfield will be held by the Genius Education Shareholder.

If an earn out is achieved resulting in the Maximum Earn Out Shares being issued to the Genius Education Shareholder and there are no additional Mayfield Shares issued following completion of the issue of the Tranche 1 Shares and the Placement Shares, then the Genius

Education Shareholder's holding in Mayfield following the issue of the Maximum Earn Out Shares will be approximately 41.1% of the Shares of Mayfield.

As the issue of new Shares to the Genius Education Shareholder under Tranche 1 will result in the Genius Education Shareholder's shareholding in Mayfield increasing from 0% to 35.2%, Shareholder approval is required under the Corporations Act.

As the issue of new Shares to the Genius Education Shareholder under Tranche 2 may result in the Genius Education Shareholder's shareholding in Mayfield increasing from 35.2% to as much as 41.1%, Shareholder approval is also required under the Corporations Act.

The Resolution seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act to the acquisition of new Mayfield Shares by the Genius Education Shareholder under the Share Sale Agreement.

Acquirer's intentions regarding the future of Mayfield

Other than as disclosed elsewhere in this Notice of Meeting, the Genius Education Shareholder has advised Mayfield that it:

- has no current intention of making any changes to the business of Mayfield;
- does not propose to inject further capital into Mayfield;
- does not intend to change the employment arrangements of Mayfield;
- does not proposed to transfer any assets between Mayfield and the Genius Education Shareholder or its Associates;
- has no intention to otherwise redeploy the fixed assets of Mayfield; and
- does not intend to change the financial or dividend distribution policies of Mayfield.

These intentions are based on the facts and information regarding Mayfield, its business and the general business environment which are known to the Genius Education Shareholder as at the date of this Notice of Meeting. Any future decisions regarding these matters will only be made based on all material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of present intention only which, if circumstances change or new information becomes available in the future, could change accordingly.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

11.7 Documents available

You can view or download an electronic version of this Notice of Meeting at Mayfield's website at <https://www.mayfieldchildcare.com.au>.

11.8 No other material information

Except as set out in this Notice of Meeting, in the opinion of the Directors, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Director which has not been previously disclosed to Shareholders.

12 Notice of Meeting

Notice is given that a general meeting of Shareholders will be held as a virtual meeting at <https://meetings.linkgroup.com/MFDGM21> at 10.00am (Melbourne time) on 6 December 2021.

The business to be considered at the Meeting is set out below. Information on the Resolutions to which the business relates is contained in the Explanatory Statement.

This Notice of Meeting should be read in conjunction with the Explanatory Statement. This Notice of Meeting and explanatory statement is not investment advice. You should seek your own financial and professional advice before making any decision on how to vote at the Meeting.

Terms used in this Notice of Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary at the end of this document.

12.1 Interdependent Resolutions

Resolutions 1 to 4 (inclusive) (**Transactions Resolutions**) are required for the Transactions (as defined in the Explanatory Statement) to proceed.

The Transactions Resolutions are conditional and interdependent, meaning if any of the Resolutions are not passed, then none of the Transactions Resolutions will be taken to have been passed and the Transactions will not proceed.

12.2 Business

RESOLUTION 1 – APPROVAL OF THE ISSUE OF SHARES UNDER THE PLACEMENT

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

‘The shareholders of Mayfield approve and agree to the issue of up to 8,000,000 Shares to sophisticated, professional and institutional investors under the Placement at an issue price of \$1.05 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 7.1 and for all other purposes.’

Voting Exclusion: Mayfield will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Mayfield), or an Associate of that person or those persons. However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - (ii) the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 2 – APPROVAL FOR DIRECTOR PARTICIPATION IN THE PLACEMENT – DEAN CLARKE AND MICHELLE CLARKE

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

‘The shareholders of Mayfield approve and agree to the issue of up to 95,238 Shares to Dean Clarke and Michelle Clarke (or their nominee), Directors of Mayfield, under the Placement at an issue price of \$1.05 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 10.11 and for all other purposes.’

Voting Exclusion: Mayfield will disregard any votes cast in favour of this Resolution by or on behalf of Dean Clarke and Michelle Clarke (or their nominee) and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Mayfield) or an Associate of that person or those persons. However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - (ii) the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 3 – APPROVAL FOR DIRECTOR PARTICIPATION IN THE PLACEMENT – PETER LOWE

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

‘The shareholders of Mayfield approve and agree to the issue of up to 66,666 Shares to Peter Lowe (or his nominee), a Director of Mayfield, under the Placement at an issue price of \$1.05 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 10.11 and for all other purposes.’

Voting Exclusion: Mayfield will disregard any votes cast in favour of this Resolution by or on behalf of Peter Lowe (or his nominee) and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Mayfield) or an Associate of that person or those persons. However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - (ii) the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 4 – APPROVAL OF THE ISSUE OF SHARES UNDER THE ACQUISITION

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

‘The shareholders of Mayfield approve and agree to:

- (a) *the issue of 21,704,347 Shares to the Genius Education Shareholder under Tranche 1 in the Share Sale Agreement, at an issue price of \$1.15 per Share; and*
- (b) *the issue of up to an additional 6,212,331 Shares to the Genius Education Shareholder under Tranche 2 in the Share Sale Agreement, at an issue price of \$1.15 per Share,*

on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes.’

Voting Exclusion: Mayfield will disregard any votes cast in favour of this Resolution by or on behalf any person proposing to make the acquisition (in this case of new Shares) and their Associates, or the persons (if any) from

whom the acquisition is to be made and their Associates. However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - (ii) the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

12.3 Independent Expert's Report

Shareholders should carefully consider the Independent's Expert Report prepared for the purpose of the Shareholder approval required under item 7 of section 611 of the Corporations Act. The Independent Expert's Report, a copy of which appears at Section 14, comments on the fairness and reasonableness of the Acquisition to Shareholders. The Independent Expert has determined the Acquisition is not fair, but reasonable to non-associated Shareholders of Mayfield.

12.4 Majorities required for the Resolutions to be passed

Each Resolution will be passed if more than 50% of the votes cast on the relevant Resolution (either in person, proxy, attorney or by corporate representative) are in favour of the relevant Resolution. In order for the Transactions to proceed, the Shareholders must approve the Resolutions.

12.5 Entitlement to vote

Mayfield has determined, in accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded on the register of members at 7.00pm (Melbourne time) on 4 December 2021. Accordingly, transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

12.6 Voting

You may vote in person by attending the Meeting or by proxy.

To vote in person, you must attend the virtual meeting at <https://meetings.linkgroup.com/MFDGM21> at 10.00am (Melbourne time) on 6 December 2021.

To vote by proxy, a completed proxy form must be delivered to and received by the Share Registry on or before 10.00am (Melbourne time) on 4 December 2021. The attached Proxy Form sets out the instructions for the return of that Proxy Form.

12.7 Proxies

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder entitled to vote at the Meeting has a right to appoint a proxy;
- (b) the proxy need not be a Shareholder;
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportional number is specified, each proxy may exercise half of the Shareholder's votes; and
- (d) a Shareholder may specify the way in which the proxy is to vote on the Resolutions or may allow the proxy to vote at its discretion. If the way in which a proxy is to vote on the Resolutions are specified by a Shareholder, the proxy may not vote on that Resolution except as specified by the Shareholder.

12.8 Voting of proxies

A proxy may decide whether to vote on any motion, except where the proxy is required by law or under the constitution of Mayfield to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by Mayfield, at least 48 hours before the time for holding the Meeting (ie, by no later than 10.00am (Melbourne time) on 4 December 2021:

- (a) by mail: Mayfield Childcare Limited, PO Box 253, Collins Street West, VIC 8007 or
- (b) by email: perry@dwaccounting.com.au

12.9 Voting by corporate representatives

Corporate Shareholders or proxies wishing to vote by corporate representative should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received by before the start or resumption of the meeting at which the representative is to vote, by post in the reply paid envelope provided.

12.10 How the Chairman will vote undirected proxies

If you return your Proxy Form but do not nominate a proxy, the Chairman will be your proxy and will vote on your behalf as you direct on the Proxy Form. If your nominated representative does not attend the meeting then your proxy will revert to the Chairman and he will vote on your behalf as you direct on the Proxy Form.

If a proxy is not directed how to vote on an item of business or Resolutions, the proxy (including, if applicable, the Chairman) may vote, or abstain from voting, as they think fit.

If you appoint the Chairman as your proxy (or if the Chairman is appointed by default) and you do not direct the Chairman how to vote on the Resolutions, the Chairman will vote your proxy in favour of that item of business, even if the Chairman has an interest in the outcome of the Resolutions and votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

Dated: 5 November 2021

By order of the Board.

Peter Lowe
Chairman
Mayfield Childcare Limited

13 Glossary

Unless the context otherwise requires, the singular includes the plural and vice versa, and the following terms will have the following meaning:

Acquisition means the acquisition by Mayfield of 100% of the share capital of Genius Education under the Share Sale Agreement.

Ancillary Agreements means:

- (a) the Incubator Agreement;
- (b) the IP Licence Agreement; and
- (c) the Transitional Services Agreement.

Announcement Date means the date Mayfield announced the Share Sale Agreement to ASX, being 1 November 2021.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in the meaning given in Division 2 of Part 1.2 of the Corporations Act as if:

- (a) section 12(1) of the Corporations Act included a reference to this Notice of Meeting; and
- (b) Mayfield was the "designated body".

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of directors of Mayfield at the date of this Notice of Meeting.

Chairman means Peter Lowe, the chairman of Mayfield.

Completion means completion of the sale and purchase of 100% of the shares in Genius Education under the Share Sale Agreement, which is expected to occur on 10 December 2021.

Corporations Act means the Corporations Act 2001 (Cth), as amended from time to time.

Corporations Regulations means the Corporations Regulations 2001 (Cth).

CY22 means the calendar year ending 31 December 2022.

Directors means the directors of Mayfield at the date of this Notice of Meeting (excluding alternate directors).

EBITDA means underlying (pre AASB 16 *Leases*) Earnings Before Interest Tax Depreciation and Amortisation. In the context of calculating the EBITDA of Genius Education in CY22 for the purposes of calculating the Earn Out Consideration payable to the Genius Education Shareholder (if any), the EBITDA amount will be audited.

Enlarged Mayfield means Mayfield following completion of the Transactions.

Genius Education means Genius Education Pty Ltd ACN 653 437 935.

Genius Education Shareholder means the holder of shares in Genius Education entitled to receive cash and Shares in Mayfield under the Share Sale Agreement, being Genius Education Holdings Pty Ltd ACN 653 363 636.

Genius Group means:

- (a) Genius Learning;

- (b) Genius Education;
- (c) Genius Education Holdings Pty Ltd ACN 653 363 636;
- (d) Genius Education Group Pty Ltd ACN 654 583 221;
- (e) Genius IP;
- (f) Genius Childcare Pty Ltd ACN 604 198 736;
- (g) Genius (Clyde) Pty Ltd ACN 632 799 903; and
- (h) Genius (Collins) Pty Ltd ACN 627 570 898.

Genius IP means Genius IP Pty Ltd ACN 636 192 428.

Genius Learning means Genius Learning Pty Ltd ACN 603 513 604.

Genius Restructure means the restructure of the Genius Group to occur prior to Completion, as set out in Section 7.5.

Incubator Agreement means the incubator agreement entered into on 31 October 2021 between Genius Learning and Mayfield.

Independent Expert means PKF Melbourne Corporate Pty Ltd ACN 063 564 045.

Independent Expert's Report means the report of the Independent Expert, attached at Section 14.

IP Licence Agreement means the intellectual property licence agreement to be entered into between Genius IP Pty Ltd ACN 636 192 428, Genius Education and Mayfield.

IPO means initial public offering.

Meeting means the general meeting of the members of Mayfield to which this Notice of Meeting and explanatory statement relates, which has been convened to be held as a virtual meeting at <https://meetings.linkgroup.com/MFDGM21> at 10.00am (Melbourne time) on 6 December 2021.

Mayfield means Mayfield Childcare Limited ACN 604 970 390.

Notice of Meeting means this notice of general meeting and explanatory statement.

Placement means the proposed offer of new Shares by Mayfield to sophisticated, professional and institutional investors to raise \$8,000,000 in cash.

Placement Shares means the new Shares to be issued under the Placement.

Proxy Form means the proxy form that accompanies the Notice of Meeting, attached at Section 15.

Relevant Interest has the meaning given in sections 608 of the Corporations Act, as qualified by section 609 of the Corporations Act.

Resolutions means the resolutions that are set out and explained in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of Mayfield.

Shareholder means a holder of one or more Mayfield Shares.

Share Registry means Link Market Services Limited.

Share Sale Agreement means the share sale agreement entered into on 31 October 2021 between Mayfield and the Genius Education Shareholder for the sale of 100% of the share capital of Genius Education to Mayfield.

SPP means the proposed offer of new Shares by Mayfield to eligible Mayfield shareholders in Australia and New Zealand to raise up to \$1,000,000 in cash.

SPP Shares means the new Shares to be issued under the SPP.

Transactions means:

- (a) the Placement; and
- (b) the Acquisition.

Transitional Services Agreement means the transitional services agreement to be entered into between Genius Learning and Genius Education.

voting power has the meaning given in section 610 of the Corporations Act.

VWAP means the volume weighted average market price.

14 Independent Expert's Report

Independent Expert's Report prepared by PKF Melbourne Corporate Pty Ltd dated 28 October 2021, **attached**.

The Independent Expert's Report, as it relates to the Placement, assumed an issue price of not less than \$1.00 per Share. Therefore, the Independent Expert's findings as set out in the Independent Expert's Report continue to apply with respect to the actual issue price under the Placement of \$1.05 per Share.

28 October 2021

The Directors
Mayfield Childcare Limited
Suite 2, Ground Floor
207-213 Waverley Road
Malvern East VIC 3145

Dear Directors

Re: Independent Expert's Report

1. Introduction

The directors of Mayfield Childcare Limited ("**Mayfield**" or the "**Company**") have requested PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**") to prepare an Independent Expert's Report ("**IER**") in respect of the proposed transaction that would see the Company acquire 100% of the issued capital in Genius Education Pty Ltd, a newly established corporate entity (referred to as "**Genius Education**" or the "**Target**") from the vendor shareholder (the "**Genius Shareholder**").

The proposed transaction may result in the Genius shareholder controlling up to 40.9% of the voting power in Mayfield. As the voting power of the Genius shareholder will increase beyond the 20% limit imposed by Section 606 of the Corporations Act 2001 ("**the Act**"), the proposed transaction cannot proceed without the prior approval of the Mayfield shareholders.

2. The Proposed Transaction

2.1 Background to the Proposed Transaction

Mayfield has entered into a Share Sale Agreement with the Genius Shareholder, under which the Company has conditionally agreed to acquire all of the issued capital of Genius Education from the Genius Shareholder (the "**Agreement**").

In connection with the Agreement, Mayfield has also agreed to enter into the following ancillary agreements:

- a 5 year incubator partnership between Mayfield and Genius Learning Pty Ltd ("**Genius Learning**") whereby Genius Learning identifies, develops and trades-up childcare centres for future sale to Mayfield, subject to satisfaction of certain agreed performance metrics (the "**Incubator Agreement**");
- Genius Learning will provide Mayfield with operational, corporate, legal and marketing services from completion of the proposed transaction up until at least 31 December 2022, with an option to extend until 31 December 2023 (the "**Transitional Services Agreement**"); and
- Mayfield will be provided with a non-exclusive licence to use the intellectual property that are associated with the 'Genius' brand in Australia from completion of the proposed transaction up until at least 31 December 2023, with an option to extend beyond for an annual licence fee of 1.0% of total revenue of the 'Genius' branded childcare centres that are owned and operated by Mayfield at that time (the "**IP Licence Agreement**").

(collectively referred to as the "**Ancillary Agreements**").

Completion of the Agreement is subject to the following conditions precedent, among other things:

- Mayfield's shareholders approving the acquisition of Genius Education by Mayfield;
- execution of all transaction documents including the Ancillary Agreements;
- any and all regulatory approvals, waivers and/or consents being satisfied and received to effect the proposed transaction;
- Genius Learning transferring ownership of 14 'Genius' branded childcare centres (the "**Target Centres**") to Genius Education (the "**Restructure**"); and
- Mayfield raising AU\$8 million (the "**Placement**") at an issue price of not less than AU\$1.00 per Mayfield Ordinary Share resulting in the issue of 8,000,000 new Ordinary Shares in Mayfield.

Subject to completion, the Genius Shareholder is entitled to nominate two directors to the Mayfield Board.

2.2 The Consideration Payable

The consideration payable by Mayfield to the Genius Shareholder is to be satisfied by cash payments and the issue of Ordinary Shares in Mayfield as follows:

1. Upfront Component

Upon completion of the proposed transaction, the consideration payable by Mayfield to the Genius Shareholder will comprise of cash consideration of AU\$6.24 million less any adjustments (the "**Upfront Cash Consideration**") and the issue of 21,704,347 new Ordinary Shares in Mayfield (the "**Upfront Scrip Consideration**"). The Upfront Cash Consideration will be funded from the Placement.

2. Earn Out Component

Upon finalisation of the audited financial accounts of Genius Education for the calendar year ending 31 December 2022 ("**CY22**"), an additional amount equal to Genius Education's actual Earnings Before Interest, Tax, Depreciation and Amortisation ("**EBITDA**") for CY22 but only if the EBITDA is equal to or greater than AU\$8.0 million (the "**Earn Out Component**").

The Earn Out Component will be satisfied as to 20% by cash payment (the "**Earn Out Cash Consideration**") and as to 80% by the issue of new Ordinary Shares in Mayfield (the "**Earn Out Scrip Consideration**"). The Earn Out Scrip Consideration will be based on an issue price of AU\$1.15 per Mayfield share. If Genius Education's actual CY22 EBITDA is less than AU\$8.0 million, no Earn Out Component will be payable by Mayfield.

The Earn Out Scrip Consideration will represent a maximum of 10.0% of the total number of Ordinary Shares on issue in Mayfield at the completion of the proposed transaction (being the total Ordinary Shares on issue in Mayfield prior to completion of the proposed transaction plus the Upfront Scrip Consideration plus the new shares issued under the Placement). If the Earn Out Scrip Consideration payable exceeds the 10.0% threshold, the balance of the Earn Out Component will be payable in cash. The Earn Out Scrip Consideration in Mayfield will be limited to a maximum of 6,212,331 new Shares) at AU\$1.15 per Share subject to achievement of the agreed EBITDA target of a minimum of AU\$8,000,000 for Genius.

The Upfront Scrip Consideration will be subject to a voluntary escrow period of 24 months from completion of the proposed transaction. If the Earn Out Component is achieved, half of the Upfront Scrip Consideration and the Earn Out Scrip Consideration will be released from escrow. In respect of the Earn Out Scrip Consideration, only 50% of these shares will be subject to voluntary escrow period of 24 months from completion of the proposed transaction.

2.3 Proposed Resolutions to be Approved by Shareholders

Mayfield is seeking shareholder approval at the forthcoming Extraordinary General Meeting (“EGM”). The Notice of Extraordinary General Meeting (the “Notice”) requires the shareholders to vote on the following ordinary resolutions:

Resolution 1: Approval of the issue of shares under the placement

The shareholders of Mayfield approve and agree to the issue of up to 8,000,000 Shares to sophisticated, professional and institutional investors under the Placement at an issue price of \$1.00 per Share (and not less than \$1.00 per Share), on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 7.1 and for all other purposes.

Resolution 2: Approval for director participation in the placement – Dean Clarke & Michelle Clarke

The shareholders of Mayfield approve and agree to the issue of up to 100,000 Shares to Dean Clarke and Michelle Clarke (or their nominee), Directors of Mayfield, under the Placement at an issue price of \$1.00 per Share (and not less than \$1.00 per Share), on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 10.11 and for all other purposes.

Resolution 3: Approval for director participation in the placement – Peter Lowe

The shareholders of Mayfield approve and agree to the issue of up to 70,000 Shares to Peter Lowe (or his nominee), a Director of Mayfield, under the Placement at an issue price of \$1.00 per Share (and not less than \$1.00 per Share), on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of ASX Listing Rule 10.11 and for all other purposes.

Resolution 4: Approval of the issue of shares under the acquisition

The shareholders of Mayfield approve and agree to:

- (a) the issue of 21,704,347 Shares to the Genius Education Shareholder under Tranche 1 in the Share Sale Agreement, at an issue price of \$1.15 per Share; and*
- (b) the issue of up to an additional 6,212,331 Shares to the Genius Education Shareholder under Tranche 2 in the Share Sale Agreement, at an issue price of \$1.15 per Share, on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes.*

We have only been requested to provide an opinion on whether Resolution 4 is fair and reasonable to the Non-Associated Shareholders. As completion of the Agreement is conditional on Mayfield raising AU\$8 million, in the balance of this report we have assumed that shareholders will approve Resolution 1. For this reason, we regard Resolutions 1 and 4 as together forming part of one overall transaction and in the balance of this report we refer to this transaction as the proposed transaction (the “**Proposed Transaction**”).

2.4 Impact of the Proposed Transaction

The Proposed Transaction will result in the following changes to the capital structure of Mayfield:

- the issue of up to 21,704,347 new Ordinary Shares in Mayfield under the Initial Scrip Component, refer to Resolution 4;
- the issue of 8,000,000 new Ordinary Shares in Mayfield under the Placement, refer to Resolution 1; and
- The issue of up to 6,212,331 new Ordinary Shares in Mayfield under the Earn Out Scrip Component, refer to Resolution 4. (These shares will only be issued if Genius Education's actual CY22 EBITDA will be AU\$8.0 million or greater.)

We have summarised the impact of the Proposed Transaction on the capital structure of Mayfield in the table below.

Table 1

Mayfield Childcare Limited Impact on capital structure	Resolution	Number of Shares
Total issued capital (before)		32,418,965
Impact of the Capital Raising		
Placement	1	8,000,000
Share Purchase Plan ¹		-
Impact of the Proposed Transaction		
Upfront Scrip Consideration	4	21,704,347
Earn Out Scrip Consideration ²	4	6,212,331
Total issued capital (after)		<u>68,335,643</u>

Note 1: A Share Purchase Plan of AU\$1 million has also been proposed. We have assumed that no shares will be issued pursuant to this Plan as this will result in the maximum voting power for the Genius Shareholder.

Note 2: Based on the maximum number of new shares in Mayfield to be issued under the Earn Out Scrip Consideration which, as explained in section 2.2 of this report, is to be capped at 10% of Mayfield's shares on issue at the completion of the Proposed Transaction. Resolution 4 seeks approval to issue 6,212,331 shares, this number excludes a possible 1 million shares which may be issued pursuant to the Share Purchase Plan. For the reason set out in Note 1 above, we have proceeded on the assumption that no shares will be issued pursuant to the Share Purchase Plan.

In the balance of this report, we have assumed that the Earn Out Component will be achieved to reflect the maximum Earn Out Scrip Consideration and to determine the change in voting power only (refer to table 2 of this report) but not for valuation purposes.

We have summarised the impact the Proposed Transaction may have on Mayfield's voting power in the table below.

Table 2

Mayfield Childcare Limited Impact on voting power	No Earn Out Component		Max Earn Out Scrip Consideration	
	Number of shares held	Voting power	Number of shares held	Voting power
Current shareholders of Mayfield	32,418,965	52.2%	32,418,965	47.4%
Issue of new shares under the Capital Raising				
Placement	8,000,000	12.9%	8,000,000	11.7%
Share Purchase Plan	-	0.0%	-	0.0%
Issue of new shares to the Genius Shareholder				
Upfront Scrip Consideration	21,704,347	34.9%	21,704,347	31.8%
Earn Out Scrip Consideration	n/a	n/a	6,212,331	9.1%
Genius Shareholder	21,704,347	34.9%	27,916,678	40.9%
Total shares on issue	62,123,312	100.0%	68,335,643	100.0%

As can be seen from the above table, if the Non-Associated Shareholders approve the Proposed Transaction this may result in an increase in the voting power of the Genius Shareholder's interest from below 20% to up to 40.9% if the maximum Earn Out Scrip Component is issued. Accordingly, the Proposed Transaction cannot take place without prior approval by the Mayfield shareholders in accordance with Section 611 item 7 of the Act.

The Directors of Mayfield have requested PKF Corporate to prepare an IER in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise the shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders (all shareholders entitled to vote on the Proposed Transaction).

3. Summary opinions

In our opinion, the Proposed Transaction is **not fair but is reasonable to the Non-Associated Shareholders**. Our principal reasons for reaching this opinion are:

Fairness

- In Section 7 of this report, we assessed the value of a Mayfield Ordinary Share on a control basis before the Proposed Transaction to be in a range of AU\$1.320 to AU\$1.4449 per share, with a mid-point of AU\$1.385 per share.
- In Section 10 of this report, we assessed the value of a Mayfield Ordinary Share on a minority basis after the Proposed Transaction to be in a range of AU\$0.940 to AU\$1.159 per share, with a mid-point of AU\$1.050 per share.
- As the minority value range mid-point (AU\$1.050 per share) of a Mayfield Ordinary Share after the Proposed Transaction is less than the control value range mid-point (AU\$1.385 per share) of a Mayfield Ordinary Share before the Proposed Transaction, we have concluded that the Proposed Transaction is **not fair**.

Reasonableness

The key reasons for assessing the Proposed Transaction as **reasonable** are:

- In Section 11 of this report, we assessed the Proposed Transaction as being not fair.
- If Shareholders approve the Proposed Transaction, the Genius Shareholder will control up to 40.9% of Mayfield's voting power if the maximum shares permissible under the Earn Out Component is achieved and no further shares are issued from the completion of the Proposed Transaction to the achievement of the Earn Out Component (refer to table 2 of this report). If the Earn Out Component is not achieved, the Genius Shareholder may control up to 34.9% of Mayfield's voting power (refer to table 2 of this report). As a result, the combined shareholding of the Non-Associated Shareholders may be diluted from 100.00% to 47.4% and they will have reduced ability to influence the operating, financing and strategic decision of Mayfield. Further, as the voting power of the Genius Shareholder will increase beyond 25% it may have the capacity to block the passing of a special resolution.
- The Proposed Transaction is also likely to result in Mayfield having a higher market capitalisation which may lead to greater market awareness as well as investment analyst and broker coverage and, as such, improve the Company's ability to raise funds in the future, attract strategic investors and provide greater liquidity in the market for Mayfield shares.
- The acquisition of Genius Education may be earnings accretive and will increase the number of childcare centres operated by Mayfield from 22 to 36. The shareholders of Mayfield will be exposed to a larger childcare operator that includes a diversified geographical portfolio of centres within Victoria and outside of Victoria in particular in Queensland and South Australia. On a combined basis, Mayfield will generate larger revenues when compared to the current operations of Mayfield. Although we have not considered any speculative upside in our valuation of Mayfield post completion of the Proposed Transaction, we recognise that investors may place speculative value on the combined business of Mayfield and Genius Education upon successful integration by achieving synergy benefits and cost savings through operating efficiencies and buying power. The Proposed Transaction may see the emergence of Mayfield as a leading childcare operator and a more comparable competitor to Think and G8. This may be attractive to investors who have an appetite for speculative gains.

4. Structure of this report

The remainder of this report is divided into the following sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the report	7
6	Mayfield - key information	9
7	Valuation of Mayfield before the Proposed Transaction	14
8	Genius Education – key information	22
9	Valuation of Genius Education	26
10	Valuation of Mayfield after the Proposed Transaction	29
11	Assessment as to Fairness	31
12	Assessment as to Reasonableness	31
13	Assessment as to Fairness and Reasonableness	32
14	Financial Services Guide	33
 <u>Appendix</u>		
A	Sources of Information	35
B	Declarations, Qualifications and Consents	36

5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001 – Section 611**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

Mayfield is seeking shareholder approval for the Proposed Transaction under item 7 of Section 611 of the Act, as the voting power of the Genius Shareholder will increase from 20% or below to more than 20% as provided by Section 606 of the Act.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports (“RG111”)

RG 111.24 An issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company’s shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of s611 that are comparable to takeover bids under Ch 6 include:

- (a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged business. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company.

RG 111.10 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 establish two distinct criteria for an expert analysing a control transaction:

- (a) is the offer 'fair'; and
- (b) is it 'reasonable'?

That is, 'fair and reasonable' is not regarded as a compound phrase.

RG 111.11 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- (b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG 111.12 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.27 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is 'reasonable' if it has assessed the issue price as being 'not fair' applying the test in RG 111.11.

ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of Mayfield. In assessing a takeover bid, Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction is both "fair" and "reasonable".

- **General**

The terms "fair" and "reasonable" are not defined in the Act, however, guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness	the Proposed Transaction is "fair" if the value of the minority shares held by the Non-Associated Shareholders' in Mayfield after the Proposed Transaction is equal to or greater than the control value of the shares in Mayfield before the Proposed Transaction.
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Reasonableness the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

- (i) In determining whether the Proposed Transaction is fair, we have:
 - assessed the value of Mayfield before the Proposed Transaction and determined the control value of one Mayfield Ordinary Share;
 - assessed the value of Mayfield after the Proposed Transaction and determined the minority value of one Mayfield Ordinary Share; and
 - compared the control value of one Mayfield Ordinary Share before the Proposed Transaction with the minority value of one Mayfield Ordinary Share after the Proposed Transaction.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that the Non-Associated Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

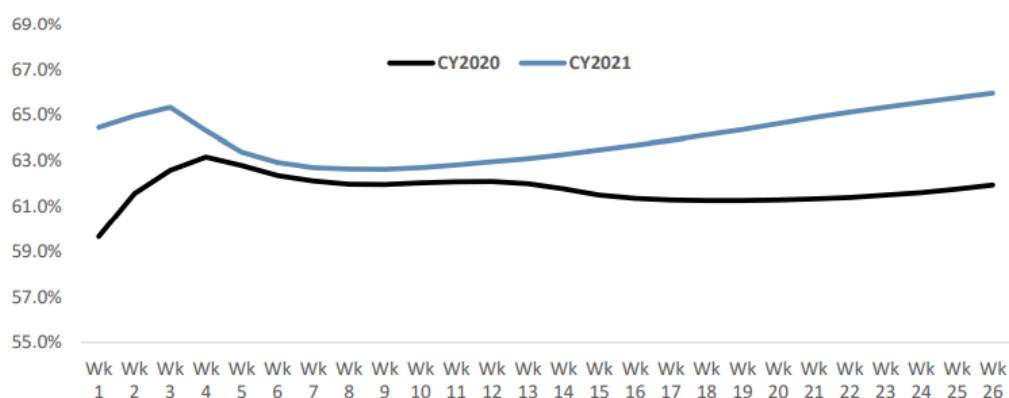
6. Mayfield - key information

6.1 Background

- 6.1.1 Mayfield is an Australian company listed on the Australian Securities Exchange (**ASX**) that operates Victorian-based childcare centres. Mayfield currently operates 22 long day care centres representing over of 1,850 registered childcare places.
- 6.1.2 During 2020, the childcare and early learning sector received Government funding following restrictions imposed as a result of the COVID-19 pandemic to ensure the viability of childcare and early learning operators to continue to provide essential education and care to the community. Although ongoing Victorian restrictions have remained during 2021, Mayfield’s operations have returned to a ‘COVID Normal’ operating environment with stabilised attendance rates and increased bookings and occupancy rates. The improved performance of Mayfield is presented below in respect to reported occupancy levels.

Figure 1

Year-to-Date Occupancy (%)



Source: Mayfield

6.2 Directors

Mayfield's Board of Directors at the date of this report is presented in the table below.

Table 3

Mayfield Childcare Limited Board of Directors and Key Executives

Peter Lowe (Non Executive Chairman)
Dean Clarke (Executive Director, Chief Executive Officer)
Michelle Clarke (Executive Director)

Source: ASX

6.3 Share capital

6.3.1 As at the date of this report, Mayfield had on issue 32,418,965 fully paid Ordinary Shares. The substantial shareholders of Mayfield are presented in the table below and they held approximately 46.6% of the issued ordinary capital of Mayfield.

Table 4

Mayfield Childcare Limited Shareholder name	Number of shares held	Percentage interest
Michael Kroger and associated entities	8,359,675	25.8%
Dean and Michelle Clarke and associated entities	3,468,302	10.7%
Malcolm and June Ross and associated entities	1,746,838	5.4%
ASL Real Estate and associated entities	1,518,773	4.7%
	15,093,588	46.6%

Source: Mayfield share register as at 6 October 2021

- 6.3.2 As at the date of this report, shares held by strategic shareholders, directors and employees total 20,453,223¹ Mayfield shares or 63.1% of the issued capital. The balance of the issued capital is 11,965,742 Mayfield shares or 36.9% of the issued capital and this represents the 'free float' that is readily tradeable on market.

6.4 Statements of financial position

Mayfield's consolidated statements of financial position as at 31 December 2019, 31 December 2020 and 30 June 2021 are presented in the table below.

Table 5

Mayfield Childcare Limited Consolidated statement of financial position	Audited 30-Dec-19 AU\$	Audited 30-Dec-20 AU\$	Reviewed 30-Jun-21 AU\$
Current Assets			
Cash and cash equivalents	648,960	1,569,464	1,655,299
Trade and other receivables	1,019,902	1,034,217	532,735
Prepayments	547,378	268,588	219,018
Other	5,153	-	237,500
	2,221,393	2,872,269	2,644,552
Non-Current Assets			
Plant and equipment	2,151,207	2,558,724	2,729,225
Intangibles	39,740,835	39,638,275	39,638,275
Right-of-use assets	25,231,685	25,409,674	25,509,594
Deferred tax	652,022	923,941	971,070
	67,775,749	68,530,614	68,848,164
Total Assets	69,997,142	71,402,883	71,492,716
Current Liabilities			
Trade and other payables	1,331,347	1,323,465	1,531,379
Contract payables	212,388	907,917	970,946
Borrowings	1,295,208	1,599,000	1,057,200
Leases	3,359,988	3,441,626	3,466,370
Current tax liabilities	52,801	781,933	(7,084)
Provisions	1,136,667	1,682,373	1,678,391
	7,388,399	9,736,314	8,697,202
Non-Current Liabilities			
Borrowings	11,492,800	8,297,400	8,170,600
Leases	22,478,309	23,159,028	23,671,422
Provisions	79,443	106,206	106,206
	34,050,552	31,562,634	31,948,228
Total Liabilities	41,438,951	41,298,948	40,645,430
Net Assets/(Liabilities)	28,558,191	30,103,935	30,847,286
Equity			
Contributed equity	23,839,313	24,100,720	24,229,970
Retained earnings	4,718,878	6,003,215	6,617,316
Total Equity	28,558,191	30,103,935	30,847,286

Source: Mayfield's annual report for the calendar year ended 31 December 2020 and the interim report for the half year ended 30 June 2021

¹ sourced from S&P Capital IQ

6.5 Operating performance

Mayfield's consolidated statements of comprehensive income for the calendar years ended 31 December 2019 ("CY19") and 31 December 2020 ("CY20") and the half year ended 30 June 2021 ("HY21") are presented in the table below.

Table 6

Mayfield Childcare Limited Consolidated statement of profit or loss and other comprehensive income	Audited CY19 AU\$	Audited CY20 AU\$	Reviewed HY21 AU\$
Revenue	35,865,867	37,536,185	17,484,032
Net loss on closure of centre	-	(272,369)	-
Employee	(21,991,880)	(21,939,717)	(11,084,370)
Centre operations	(1,918,746)	(2,132,988)	(808,688)
Facilities	(1,160,844)	(1,616,096)	(545,635)
Administration	(799,615)	(905,749)	(370,106)
Acquisition costs	(15,047)	-	-
Depreciation and amortisation of plant and equipment	(352,104)	(542,055)	(321,245)
Depreciation charge on right-of-use assets	(3,721,096)	(3,907,186)	(1,991,845)
Finance costs	(1,428,255)	(1,284,918)	(635,115)
Profit before income tax	4,478,280	4,935,107	1,727,028
Income tax expense	(1,131,769)	(1,196,388)	(470,867)
Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited	3,346,511	3,738,719	1,256,161
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited	3,346,511	3,738,719	1,256,161

Source: Mayfield's annual report for the calendar year ended 31 December 2020 and the interim report for the half year ended 30 June 2021

6.6 Cash flow statements

Mayfield's consolidated statements of cash flows for CY19, CY20 and HY21 are presented in the table below.

Table 7

Mayfield Childcare Limited Consolidated statement of cash flows	Audited CY19 AU\$	Audited CY20 AU\$	Reviewed HY21 AU\$
Cash flows from operating activities			
Receipts from customers, including government funding	35,595,535	37,726,243	18,077,809
Payments to suppliers and employees	(25,252,296)	(25,324,684)	(12,543,640)
Other receipts	17,836	20,156	9,271
Interest paid on lease liabilities	(770,846)	(825,684)	(385,601)
Net interest paid on borrowings	(659,737)	(402,723)	(143,874)
Net income tax paid	(2,098,951)	(739,175)	(1,307,013)
Net cash inflow in operating activities	6,831,541	10,454,133	3,706,952
Cash flows from investing activities			
Payments for plant and equipment	(1,247,804)	(1,010,711)	(499,342)
Centre closure costs	-	(65,120)	(44,403)
Proceeds from the disposal of plant and equipment	-	636	-
Payments for purchase of businesses plus associated costs	(901,592)	-	(237,500)
Proceeds from return of security deposit	5,844	-	-
Net cash outflow from investing activities	(2,143,552)	(1,075,195)	(781,245)
Cash flows from financing activities			
Repayment of lease liabilities	(3,126,768)	(3,373,851)	(1,658,462)
Repayment of borrowings	(750,000)	(2,891,608)	(668,600)
Dividend paid	(1,933,964)	(2,190,152)	(510,716)
Share issue costs	(5,100)	(2,823)	(2,094)
Net cash outflow from financing activities	(5,815,832)	(8,458,434)	(2,839,872)
Net increase/(decrease) in cash and cash equivalent	(1,127,843)	920,504	85,835
Cash and cash equivalent at beginning of period	1,776,803	648,960	1,569,464
Cash and cash equivalent at end of period	648,960	1,569,464	1,655,299

Source: Mayfield's annual report for the calendar year ended 31 December 2020 and the interim report for the half year ended 30 June 2021

7. Valuation of Mayfield before the Proposed Transaction

7.1 Value definition

PKF Corporate's valuation of Mayfield is on the basis of 'fair market value', defined as:

'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.

7.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

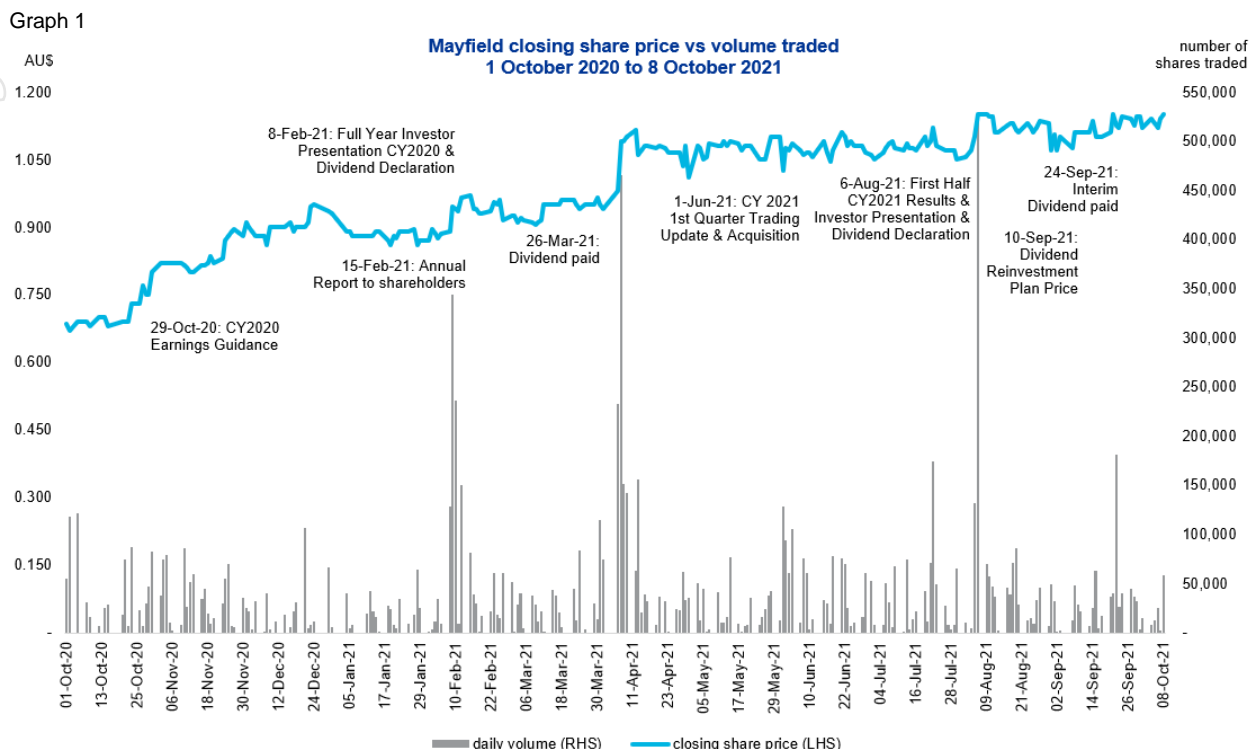
- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

7.3 Share price history

7.3.1 The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of any proposed transaction.

7.3.2 As the share price history of Mayfield will incorporate all publicly available information, we consider that the share price history is an appropriate methodology to consider in assessing the value of a share in Mayfield.

7.3.3 We have set out below a graph showing the daily closing share price and volume of Mayfield shares up to 8 October 2021 as well as a selection of market sensitive announcements on the ASX.



As can be seen from the graph above, during early April 2021 Mayfield's share price increased on higher volume. Based on our research and discussions with Management there has been no announcements or company specific factors which have caused this increase, however in early April 2021 Think Childcare Limited, a competitor of Mayfield, announced that it received a takeover proposal that was at a substantial premium to its share price. As such we have concluded that the increase in the Mayfield share price reflects a re-rating of the childcare sector by the market. Since 7 April 2021 Mayfield's share price has traded in a range of AU\$1.010 to AU\$1.190 per share.

Following Mayfield's market release of its HY21 results and dividend declaration, Mayfield's share price reached AU\$1.190 per share on high volume and following this day has since traded in a range of AU\$1.055 per share to AU\$1.175 per share.

7.3.4 We have also examined the recent share prices and trading volumes in Mayfield shares up to 8 October 2021 including the Volume Weighted Average Price ("VWAP") of Mayfield shares based on closing daily prices on the ASX for business trading dates. We have set out our analysis in the table below.

Table 8

Mayfield Childcare Limited Share price analysis	Shares Traded		VWAP	Share Price (AU)	
	Number	Value		Low	High
10 days to 8 October 2021	233,548	AU\$265,561	AU\$1.137	AU\$1.105	AU\$1.150
20 days to 8 October 2021	672,820	AU\$758,899	AU\$1.128	AU\$1.055	AU\$1.150
30 days to 8 October 2021	871,808	AU\$977,300	AU\$1.121	AU\$1.055	AU\$1.150
60 days to 8 October 2021	2,588,900	AU\$2,906,064	AU\$1.123	AU\$1.050	AU\$1.190
90 days to 8 October 2021	3,597,569	AU\$3,993,005	AU\$1.110	AU\$1.030	AU\$1.190

Source: ASX, PKF Corporate analysis

As can be seen from the above table, the VWAP of Mayfield shares leading up to 8 October 2021 has trended upwards and has more recently traded within a range of AU\$1.055 to AU\$1.150 over the past 30 trading days.

- 7.3.5 As set out in paragraph 6.3.2 of this report, the 'free float' of Mayfield shares that is readily tradeable on market comprises of 11,965,742 shares. We have also calculated the volume of shares traded in Mayfield over the past 60 business trading days of the 'free float'. We have set out our analysis in the table below.

Table 9

Mayfield Childcare Limited Share volume		% of free float traded			
		10 days	20 days	30 days	60 days
Number of shares traded to 8 October 2021		233,548	672,820	871,808	2,588,900
MFD free float	11,965,742	1.95%	5.62%	7.29%	21.64%

Source: ASX, PKF Corporate analysis

- 7.3.6 Based on the above information and our analysis, we consider that despite the low value of shares traded in Mayfield as a result of the low free float (36.9% as assessed in paragraph 6.3.2 of this report) the market in Mayfield shares is relatively liquid. Accordingly, we have formed the opinion that the Mayfield shares have a market value in a range of AU\$1.100 per share to AU\$1.150 per share after considering the trading range over the past month leading up to 8 October 2021. The midpoint of this range (AU\$1.1250) is consistent with the average 20-day and 30-day VWAP calculated in table 8 of this report.
- 7.3.7 The share prices upon which we have formed our opinion reflect the prices at which minority parcels of shares are traded on a daily basis and, as such, do not incorporate a control premium. Accordingly, we have considered the application of a control premium which represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of Mayfield could be acquired.
- 7.3.8 In assessing the control premium to be applied to the share price of Mayfield, we have relied on the relevant matrix from the RSM Control Premium Study – 2021 applicable to Mayfield. We have summarised this research in the table below.

Table 10

Analysis by	Criteria	Control premium	
		20 days pre-announcement	
		Average	Median
All transactions		34.70%	27.50%
Industry	Other	29.60%	25.00%
Consideration type	Cash	36.20%	28.60%
Size	\$25m to \$50m	41.00%	n/a

Source: RSM Control Premium Study - 2021

- 7.3.9 The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets. We note that the above research sets out statistical information about actual control premia paid and, as such, includes an unknown uplift on account of potential acquisition synergy benefits. We are of the opinion that the control premium in a transaction that did not include expected synergies would be lower.

- 7.3.10 After considering the above, we have applied a control premium in a range of 20.0% to 26.0% to the minority share price of one Mayfield share in a range of AU\$1.100 per share to AU\$1.150 per share. We have summarised the results of this calculation in the table below.

Table 11

Mayfield Childcare Limited		
Share price methodology	Low	High
Value per MFD share (minority)	AU\$1.100	AU\$1.150
Control premium	20.0%	26.0%
Value per MFD share (control)	AU\$1.320	AU\$1.449

Source: PKF Corporate analysis

- 7.3.11 Having regard to the above, we have concluded that the control value of a Mayfield share is in a range of **AU\$1.320 to AU\$1.449 per share** as assessed under the share price valuation methodology.

7.4 Capitalisation of future maintainable earnings

- 7.4.1 Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.
- 7.4.2 As Mayfield has a history of profitable trading, the capitalisation of future maintainable earnings valuation methodology can be considered in valuing the Mayfield shares. The recent financial performance of Mayfield has been impacted by the COVID-19 pandemic; in particular the Victorian Government imposed restrictions on childcare centres. During CY20 the reported earnings of Mayfield (refer to section 6.5 of this report) includes government support subsidies such as JobKeeper income and Industry Recovery Package totalling approximately AU\$4.337 million. Accordingly, it is difficult to assess what an estimate of maintainable earnings for Mayfield is at this point in time until the Victorian Government imposed restrictions are lifted.
- 7.4.3 Mayfield announced to the ASX its EBIT guidance for the calendar year ending 2021 (“CY21”) to be in a range of AU\$6.5 million to AU\$6.9 million², however this is contingent on the easing of Victorian Government imposed restrictions. In view of this uncertainty, we have preferred to adopt the capitalisation of future maintainable earnings valuation methodology as a cross check to the share price valuation methodology as set out in section 7.3 of this report.
- 7.4.4 Under the share price valuation methodology we assessed the value of a Mayfield share to be in a range of AU\$1.100 per share to AU\$1.150 per share on a minority basis (refer to section 7.3.6 of this report). As Mayfield has 32,418,965 Ordinary Shares on issue we have calculated the implied market capitalisation of Mayfield to be in a range of AU\$35.661 million to AU\$37.282 million. This value includes the value of net cash/debt which we have reversed to calculate the implied enterprise value of Mayfield for the purpose of our cross-check analysis.

² MFD First Half CY2021 Results & Investor Presentation, 6 August 2021

- 7.4.5 We have set out in the table below our valuation cross check based on the implied enterprise value of Mayfield and the guidance EBIT range of AU\$6.5 million to AU\$6.9 million.

Table 12

Mayfield Childcare Limited		
Valuation cross check	Low	High
Value per MFD share (minority)	AU\$1.100	AU\$1.150
Number of shares on issue	32,418,965	32,418,965
Implied market capitalisation	AU\$35,660,862	AU\$37,281,810
Cash and cash equivalents ¹	(AU\$1,655,299)	(AU\$1,655,299)
Borrowings ¹	AU\$9,227,800	AU\$9,227,800
Leases ¹	AU\$27,137,792	AU\$27,137,792
Implied enterprise value	AU\$70,371,155	AU\$71,992,103
Expected EBIT for CY21	AU\$6,500,000	AU\$6,900,000
Implied EBIT multiple	10.8	10.4

Source: PKF Corporate analysis

¹ as at 30 June 2021

- 7.4.6 In order to cross-check the implied EBIT multiple of 10.4 to 10.8 we have considered the trading multiples of comparable ASX listed childcare operators and multiples from precedent transactions. The distinction to be drawn from these two sources of evidence is that transaction multiples are usually sourced from transactions that involve a change of control (control value basis) whereas listed company trades are minority trades (minority value basis).
- 7.4.7 We have set out in the table below our search results and analysis of ASX listed childcare operators and the trading multiples placed by the market on these companies.

Table 13

Comparable companies	Stock	Market ¹	Enterprise ²	LTM	LTM	LTM	NTM	NTM
Company name	Code	Cap	Value	Revenue	EBIT	EBIT	EBIT	EBIT
	ASX	AUD m	AUD m	AUD m	AUD m	multiple	AUD m	multiple
G8 Education Limited	GEM	1,012.6	1,666.4	889.7	150.2	11.1	115.3	14.5
Think Childcare Group	TNK	196.4	469.1	172.4	35.6	13.2	22.5	20.8
Evolve Education Group Limited	EVO	104.5	277.3	127.7	13.7	20.2	15.8	17.5
Mayfield Childcare Limited	MFD	37.3	72.0	38.5	7.5	9.6	7.2	10.1

Source: S&P Capital IQ, PKF Corporate analysis

¹ Share prices used to determine the market capitalisation of each of the comparable companies were closing prices as at 8 October 2021

² Enterprise value (EV) = Market Capitalisation (Market Cap) – Cash + Debt + Preferred Equity + Minority Interest

LTM = Last twelve months, NTM = Next Twelve Months, N/A = Not Applicable

Having regard to the above analysis, we note that G8 Education Limited (“**G8**”) and Think Childcare Group (“**Think**”) are much larger education and childcare service operators with centres located throughout Australia when compared to the reported revenue and geographic location of Mayfield centres. Think also has a pipeline of ‘trade-up’ centres and the market may be placing a higher value on these new centre opportunities. Evolve Education Group Limited (“**Evolve**”) is dual listed on the ASX and New Zealand Exchange operating early education centres under various brand names across New Zealand and Australia, although the majority of centres are located in New Zealand.

The share price of Think over the past twelve months has been impacted by a number of takeover bids which we comment on as follows:

- On 16 November 2020, Think announced to the ASX that the Company received a takeover bid from Alceon Group Pty Ltd of AU\$1.35 per share which represented an 8% takeover premium to the closing share price of AU\$1.25 on 13 November 2020;
- On 23 November 2020, Think announced to the ASX that the Company received a takeover bid from Busy Bees Early Learning Australia Pty Ltd ("**Busy Bees**") of AU\$1.75 per share which represented a 34% takeover premium to the closing share price of AU\$1.31 on 20 November 2020; and
- On 17 June 2021, Think entered into a binding Implementation Agreement with Busy Bees based on a further revised takeover bid of AU\$3.20 per share.

Although the implied EBIT multiple of Mayfield under the share price valuation methodology (set out in table 12 of this report) is on average much lower than the implied NTM EBIT multiple of G8, Think and Evolve, we consider that this is a result of the much larger size of these operators who also operate a higher number of centres across Australia and New Zealand.

As Mayfield's centres are concentrated within the Melbourne metropolitan district, they have been impacted by the Government imposed COVID-19 restrictions and the market may place a higher risk on these centre locations in the near term in particular as the unwinding of restrictions remain uncertain at this point in time.

In light of our comments, we consider that the implied EBIT multiple of Mayfield under the share price valuation methodology (set out in table 12 of this report) provides a reasonable cross check based on our analysis of the trading multiples of comparable ASX listed childcare operators.

7.4.8 We have also conducted research of precedent transaction multiples of businesses that operate childcare centres in Australia. We are of the opinion that the implied multiples of the precedent transactions include an unknown uplift on account of potential acquisition synergy benefits. Our search results are detailed in the table below.

Table 14

Comparable transactions Target name	Acquirer name	Announced	Interest acquired %	Transaction size AUD m	Implied EV AUD m	Implied EBITDA multiple	Forward EBITDA multiple	Forward EBIT multiple
Affinity Education Group Limited	Quadrant Private Equity Pty Limited	02-Sep-21	100.0%	650.0	650.0	10.0	n/a	n/a
Child Care Centre in Victoria	Mayfield Childcare Limited (ASX:MFD)	06-Aug-21	100.0%	2.0	2.0	n/a	4.6	n/a
Think Childcare Group (ASX:TNK)	Foundation Early Learning Limited	17-Jun-21	22.2%	37.4	441.4	9.4	9.6	17.9
Long Day Care Centre in Victoria	Mayfield Childcare Limited (ASX:MFD)	01-Jun-21	100.0%	2.3	2.3	n/a	4.1	n/a
Think Childcare Group (ASX:TNK)	Foundation Early Learning Limited	23-Nov-20	77.9%	417.0	443.1	9.4	9.6	18.0
25 Centres of G8 Education Limited in Western Australia	Sparrow Early Learning Pty Ltd	14-Nov-19	100.0%	6.4	6.4	n/a	4.1	n/a
11 Trading Child care Services of Edhod Pty Ltd	Think Childcare Group (ASX:TNK)	21-Oct-19	100.0%	16.0	16.0	n/a	4.0	n/a
Two Long Day Care Victorian Centres	Mayfield Childcare Limited (ASX:MFD)	17-Aug-18	100.0%	4.6	4.6	n/a	4.4	n/a
Child Care Centre in Victoria	Mayfield Childcare Limited (ASX:MFD)	22-May-18	100.0%	1.5	1.5	n/a	4.0	n/a
Bimbi Day Care Tullamarine	Mayfield Childcare Limited (ASX:MFD)	27-Sep-17	100.0%	2.3	2.3	n/a	4.6	n/a
Pebble Patch Childcare Centre Business	Mayfield Childcare Limited (ASX:MFD)	18-Sep-17	100.0%	2.2	2.2	n/a	4.6	n/a
Four Childcare Centres	Think Childcare Group (ASX:TNK)	15-Aug-17	100.0%	10.4	10.4	n/a	4.3	n/a
Three Trading Childcare Centres	Think Childcare Group (ASX:TNK)	29-Nov-16	100.0%	5.4	5.4	n/a	3.6	n/a
Three Greenfield Centres	Think Childcare Group (ASX:TNK)	11-Aug-16	100.0%	6.7	6.7	n/a	3.5	n/a
13 Premium Childcare and Education Centres	G8 Education Limited (ASX:GEM)	12-Nov-15	100.0%	29.7	29.7	n/a	n/a	4.1
Affinity Education Group Limited	Anchorage Capital Partners	21-Sep-15	100.0%	233.7	233.7	7.5	n/a	n/a
Two Childcare Centres	Think Childcare Group (ASX:TNK)	18-Jun-15	100.0%	3.1	3.1	n/a	4.1	n/a
8 Premium Childcare and Education Centres	G8 Education Limited (ASX:GEM)	02-Jun-15	100.0%	3.1	3.1	n/a	n/a	4.0
12 Premium Childcare and Education Centres	G8 Education Limited (ASX:GEM)	16-Feb-15	100.0%	36.0	36.0	n/a	n/a	4.0
Minimum						7.5	3.5	4.0
Median						9.4	4.2	4.1
Average						9.1	4.9	9.6
Maximum						10.0	9.6	18.0

Source: S&P Capital IQ, ASX announcements, PKF Corporate analysis

After analysis of the precedent transaction dataset, we observed that on average the transactions are of a relatively small size which correspond to lower multiples as well as noting that typically childcare operators are being transacted on an EBITDA multiple. We also note that the implied transaction multiples may incorporate control premiums and special value which may reflect synergies paid by the acquirers.

The difficulty in relying on the implied EBITDA multiples of the precedent transactions is due to the consideration of the adoption of Australian Accounting Standards Board (AASB) 16 Leases or International Financial Reporting Standards (IFRS) 16 Leases. It is typical that transactions are of multiple independent or privately owned childcare centres and these may not adopt comparable accounting standards to the ASX listed childcare operators and, as such, the implied EBITDA multiples require further investigation. The more recent transactions of the above dataset represent high EBITDA multiples when compared to past transactions and this may be a result of the implementation of AASB 16 or IFRS 16 Leases.

As part of the precedent transactions noted in table 14, we have observed the implied EBITDA multiples from the takeover bids of Think to be on average 9.5 times EBITDA. We also observed a more recent transaction announced during September 2021 involving the acquisition of Affinity Education Group Limited ("Affinity") by Quadrant Private Equity with a reported implied EBITDA multiple of 10.0 times. We note that the implied multiples from these transaction metrics are significantly larger when compared to the majority of the remaining dataset in table 14 as they are much larger transaction sizes.

In light of the above comments and in the absence of Mayfield disclosing EBITDA guidance for CY21, we have not placed any further reliance or provided any further commentary on the implied multiples from the precedent transactions as part of our cross-check analysis.

7.5 Net present value of future cash flows

- 7.5.1 An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.
- 7.5.2 Mayfield generated positive cash flows from operating activities during CY19, CY20 and HY21 (refer to Section 6.6 of this report). As Mayfield does not have any current long term cash flow forecasts available and given uncertainty in respect to the short term operations of Mayfield under the current Government imposed restrictions as a result of COVID-19, the net present value of the future cash flows methodology cannot be used to value Mayfield or any of its business segments.

7.6 Asset based methods

- 7.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

- (a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

As at 30 June 2021, Mayfield reported net asset of approximately AU\$30.847 million as per the audited statement of financial position (refer to section 6.4 of this report) which includes reported assets of AU\$71.493 million predominantly comprising of goodwill (AU\$39.638 million) and right-of-use assets (AU\$25.510 million). Both reported goodwill and right-of-use assets are reported amounts under the adoption of AASB and, as such, do not necessarily represent the realisable value of these assets.

The premise of the net asset approach is that Mayfield is worth the book value of its net assets at a point in time. The reported net assets of Mayfield after adjusting for the interim dividend cash paid, goodwill, right-of-use assets and leases results in a net asset deficiency of approximately AU\$7.163 million. This net asset deficiency amount does not attribute any value to any intangible assets of Mayfield such as the brand names and leasehold of its childcare centres.

In light of the above comments, we have concluded that the net asset approach does not represent the market value of Mayfield's net assets and, as such, we do not consider this to be a valid valuation methodology to be used to value Mayfield shares at this point in time.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

Given the history of profitable trading and the cash resources held by Mayfield, we do not consider that an orderly realisation of assets is an appropriate valuation methodology to use in assessing the value of Mayfield shares at this point in time.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

We consider that this methodology is an inappropriate valuation methodology to use in assessing the value of Mayfield shares at this point in time as Mayfield has existing cash resources.

7.7 Comparable market transactions

7.7.1 Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.

7.7.2 We are not aware of any specific rules of thumb to be applied to valuing Mayfield or its assets and, as such, we have not used the comparable market transaction valuation methodology to value Mayfield.

7.8 Alternate acquirer

7.8.1 The value that an alternative offeror may be prepared to pay to acquire Mayfield is a relevant valuation methodology to be considered.

7.8.2 We are not aware of any offers for the Mayfield shares nor any of its assets and we can see no reason as to why an offer would be initiated at this time without the consent and support of its shareholders.

7.9 Conclusion

7.9.1 In the current circumstances of Mayfield, we have only applied the share price valuation methodology to assess the value of Mayfield shares to be a range of AU\$1.320 to AU\$1.449 per share. We have therefore concluded the fair market value of a Mayfield share lies in a range of **AU\$1.320 to AU\$1.449 per share, with a mid-point of AU\$1.385 per share, on a control basis.**

8. Genius Education - key information

- 8.1 Genius Education is a newly established private Australian company that will own the Target Centres as part of the Restructure and to facilitate the Proposed Transaction. Genius Education Holdings Pty Ltd, an entity wholly owned by the Genius Shareholder, holds 100% of the issued capital in Genius Education.
- 8.2 The Target Centres are purpose-built childcare facilities located across Victoria (5 centres), Queensland (8 centres) and South Australia (1 centre) in high density locations with occupancy rates of approximately 75% as at August 2021 and incorporate funded Kindergarten programs. As part of the Restructure, 372 employees with respect to the Target Centres will be offered employment with Genius Education.
- 8.3 A summary of the centres is presented in Table 15 below. Of the fourteen centres, five are established centres having been in operation for nearly two years, two have started operating in 2021 whilst the remaining are in 'trade-up' or growth stage given that they were negatively impacted by the pandemic outbreak and the resulting lockdowns and restrictions in 2020. As of August 2021, the centres had 1,347 registered places of which 1,004 places were already booked.

Table 15

State	Centre	Start date	Current licensed places
Victoria	Cheltenham	Nov-20	120
	Clyde North	Jun-20	124
	Maddingley	Dec-19	103
	Mooroolbark	Jan-21	104
	Seaford	Jul-20	83
South Australia	Oakbank	Mar-21	60
Queensland	Allenstown	Dec-19	84
	Brinsmead	Sep-20	74
	Clifton Beach	Dec-19	119
	Norman Gardens	Dec-19	102
	Rainforest 121	Dec-19	150
	Sheridan Gardens	Nov-20	74
	Sheridan Meadows	Nov-20	75
	Wulguru	Jun-20	75
Total available places			1,347

Source: Genius Education

8.4 Balance Sheet

As Genius Education is a newly established company it has no historical financial information, however, we have been provided with a pro-forma consolidated balance sheet which represents the net assets of the Target Centres as at 31 August 2021 and this has been presented below.

Table 16

Genius Education Pro-Forma Consolidated Balance Sheet	Actual 31-Aug-21 AU\$
Current Assets	
Prepayments	118,281
	<u>118,281</u>
Non-Current Assets	
Fixed assets - book value	1,111,619
Fixed assets - accumulated depreciation	(290,535)
	<u>821,084</u>
Total Assets	<u>939,365</u>
Current Liabilities	
Provision for employee entitlements	571,543
Provision for long service leave	174,205
	<u>745,748</u>
Total Liabilities	<u>745,748</u>
Net Assets	<u>193,617</u>

Source: Genius Education

Genius Education does not prepare financial statements in accordance with AASB 16 - Leases and, as such, the pro-forma consolidated balance sheet of Genius Education as at 31 August 2021 does not report right of use assets and the corresponding lease liability in accordance with AASB 16 – Leases.

8.5 Operating performance

As Genius Education is a newly established company it has no historical financial information, however, we have been provided with the pro-forma consolidated profit and loss statements of the Target Centres for CY20 and the months January 2021 to August 2021 ("YTD CY21") which have been prepared by Mayfield. The pro-forma consolidated profit and loss statements of the Target Centres reflect the actual financial performance adjusted for the inclusion of rent expenses by Mayfield. The overhead expenses include head office or corporate overhead costs incurred by Genius Learning in managing the Target Centres. Despite the fact that these costs will be borne by Genius Learning under the Transitional Services Agreement and will not be incurred by Mayfield during CY21 and CY22, they will form part of the ordinary operating expense of Mayfield thereafter. We have presented this information in the table below.

Table 17

Genius Education Pro-Forma Consolidated Profit & Loss Statements	Actual CY20 AU\$	Actual YTD CY21 AU\$
Revenue	8,719,111	16,552,467
Cost of goods sold	(404,166)	(730,493)
Employee costs	(5,810,266)	(10,286,770)
Overhead expenses	(2,409,231)	(3,260,494)
EBITDA	95,448	2,274,709

Source: Genius Learning

Genius Education does not prepare financial statements in accordance with AASB 16 - Leases and, as such, the pro-forma consolidated profit and loss statements of Genius Education for CY20 and YTD CY21 reports occupancy costs as expenses.

Following our review of the monthly operating performance of the Target Centres during YTD CY21, we observed that the revenue and EBITDA earnings (adjusted for the inclusion of rent expenses by Mayfield) achieved by the Target Centres during the more recent months of June 2021, July 2021 and August 2021 were much higher than prior months. This demonstrates the improved trading conditions of the Target Centres in particular as a result of increased occupancy rates driven by the easing of COVID-19 imposed restrictions and the increased scale of childcare centres in a 'trade up' phase.

The total revenue and EBITDA earnings (adjusted for the inclusion of rent expenses by Mayfield) of the three months from June 2021 to August 2021 totalled approximately AU\$7.2 million and AU\$1.45 million respectively or an average monthly EBITDA earnings (adjusted for the inclusion of rent expenses by Mayfield) of AU\$483,000. We also note that the average monthly EBITDA earnings for July 2021 and August 2021 were approximately AU\$635,000. When the average monthly EBITDA earnings (adjusted for the inclusion of rent expenses by Mayfield) are annualised, this results in an annual EBITDA earnings range of AU\$5.76 million (based on June 2021 to August 2021) to AU\$6.48 million (based on July 2021 to August 2021).

We have also been provided with the pro-forma consolidated profit and loss statements of the Target Centres for the forecast months September 2021 to December 2021 ("YTG CY21") and CY22 as prepared by Mayfield based on financial information provided by Genius Learning. We have presented this information in the table below.

Table 18

Genius Education Pro-Forma Consolidated Profit & Loss Statements	Forecast YTG CY21 AU\$	Forecast CY22 AU\$
Revenue	10,677,539	35,412,990
Employee expenses	(6,441,444)	(20,593,289)
Staff administration	(49,565)	(151,669)
Facilities	(1,607,787)	(5,043,078)
Centre expenses	(300,244)	(917,013)
Office expenses	(54,600)	(167,076)
Financial system fees	(22,200)	(67,932)
Consultants, compliance & regulatory	(4,312)	(13,195)
Information, communication & technology	(22,960)	(70,258)
Insurance	(67,400)	(208,356)
Advertising & promotional	(14,600)	(43,980)
Catering & entertainment	(23,800)	(29,676)
EBITDA	2,068,627	8,107,469

Source: Genius Learning, Mayfield

We have reviewed the pro-forma consolidated income statements prepared by Mayfield in relation to the Target Centres for YTG CY21 and CY22 and we provide the following comments:

The financial model was based on a bottom-up approach by Centre to arrive at the aggregated financial projections for CY22. The actual results for YTD CY21 were used as the basis for the financial forecasts for YTG CY21 & CY22.

- Occupancy

The major revenue driver for Genius Education is the occupancy rate which is determined by the number of places booked as a proportion of the total places available. The financial forecasts for CY22 appear to be prepared on a reasonable basis when compared to historical occupancy data provided. As part of our review, we have had regard to the historical and projected occupancy rates; the YTD CY21 occupancy rates and the maturity stage for each centre. The average occupancy for the 14 centres is expected to be 77% in CY22. Based on our enquiries we do not consider the projected occupancy rate to be unreasonable when compared to historical YTD CY21 occupancy rates and actual occupancy rates in August 2021.

- Expenses

The major expense categories comprising the main costs of Genius Education relate to salaries and wages, rent and food. The forecast salaries and wages for CY22 were based on historically observed salaries and wages which are largely consistent with both Mayfield and Genius Learning expense levels observed. A slight improvement relating to improved roster management and shared resources was also factored into the forecasts. As part of our review nothing came to our attention to suggested that forecast salaries and wages were either inconsistent with historical comparable performance or to be unreasonable.

The rental expenses of each premises recorded on a pre-AASB 16 basis were observed to be consistent with historical amounts incurred. As part of our review of this component of expenditure we compared forecast rental expenses to supporting schedules and historical expenses of the Target Centres and noted that on a total basis this overall forecast expense appeared reasonable.

The food costs were determined on a cost per child per day based on actual historical metrics provided by Mayfield. We performed a recalculation and also reviewed the historical and the LTM food costs as a percentage of revenue and found the estimated food costs to be consistent and therefore estimated on a reasonable basis.

9. Valuation of Genius Education

9.1 Value definition

PKF Corporate's valuation of the securities of Genius Education to be acquired by Mayfield is on the basis of 'fair market value' as defined in paragraph 7.1 of this report.

9.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of the generally accepted valuation methodologies as set out in paragraph 7.2 of this report.

9.3 Share price history

- 9.3.1 Genius Education is an unlisted private company incorporated in Australia for the purpose of acquiring the Target Centres as part of the Restructure and, as such, there is no active market in the Genius Education shares. As the Target Centres are being transferred between associated parties of the Genius Shareholder, any issue of shares in Genius Education cannot be seen to provide third party evidence of the market value of a share in Genius Education. Accordingly, the share price history is not an applicable methodology to use to value Genius Education.

9.4 Capitalisation of future maintainable earnings

- 9.4.1 Use of the capitalisation of maintainable earnings methodology requires making an assessment of a level of maintainable earnings that is expected to be sustained over the medium term. As can be seen from tables 17 and 18 of this report, the Target Centres achieved profitable earnings at an EBITDA level during CY20 and YTD CY21 demonstrating growth in both revenues and EBITDA earnings. As can be seen from tables 17 and 18 of this report, the Target Centres are expected to achieve profitable earnings at an EBITDA level for CY21 of AU\$4.34 million (based on YTD CY21 of AU\$2.27 million and YTG CY21 of AU\$2.07) and CY22 of AU\$8.11 million.
- 9.4.2 In light of our comments and analysis in section 8.5 of this report, we do not consider that the historical earnings of the Target Centres provide a reasonable basis to rely upon as forming a proxy to assess the future maintainable earnings of the Target Centres. Accordingly, we have preferred the forecast EBITDA results of the Target Centres for CY21 and CY22 in our assessment of the level of maintainable earnings that is expected to be generated by Genius Education over the medium term. We have adopted an EBITDA range of AU\$7.5 million to AU\$8.5 million in assessing the value of Genius Education.

9.4.3 In order to determine an appropriate EBITDA multiple to apply to the maintainable EBITDA earnings adopted for Genius Education, we have considered the research of multiples from precedent transactions set out in section 7.4 of this report. We have chosen not to rely on the trading multiples of Mayfield and other comparable ASX listed companies as their reported EBITDA earnings are not comparable with the Target Centres (refer to comments in section 8.5 of this report with regard to AASB 16- Leases).

9.4.4 We have considered both the historical and implied forward EBITDA multiples in table 14 of this report. Our comments in respect of Table 14 are:

- In July 2018 the Federal government increased childcare funding, which increased the profitability of the sector. We have therefore placed more reliance on transactions since that date.
- Two of the recent transactions involve acquisitions of single centres by Mayfield at forward EBITDA multiples of 4.1 and 4.6 respectively. We would expect an acquisition of 14 centres as one integrated business to attract a higher multiple.
- The Affinity and Think transactions were at implied EBITDA multiples of 10.0 and 9.6 respectively, however these companies are significantly larger than Genius Education.
- A review of currently available research suggests that on average Genius Education would be expected to attract multiples that are 20% to 30% lower than Affinity and Think due to its smaller size (size discount).
- We are valuing Genius Education by reference to its forecast earnings, whereas only historical multiples are available for Affinity and Think. Forward multiples are generally lower in comparison to historical multiples as companies are generally forecasting increased earnings and there is less certainty as to the achievement of forecast earnings.

9.4.5 In selecting an appropriate EBITDA multiple to apply in valuing Genius Education, we have also considered the specific nature of the Target Centres in particular that they include 14 childcare centres predominately located in Queensland and Victoria which are at various stages of maturity and include childcare centres that are in a 'trade up' phase which may provide more upside to a potential acquirer. After considering our research as well as our comments and analysis in respect to the Target Centres, we have adopted a forward EBITDA multiple range of 4.50 to 5.50 times.

9.4.6 We have set out in the table below our assessment of the enterprise value of Genius Education.

Table 19

Genius Education		
Enterprise value	Low	High
EBITDA	AU\$7,500,000	AU\$8,500,000
EBITDA multiple	4.50	5.50
Enterprise value	AU\$33,750,000	AU\$46,750,000

Source: PKF Corporate analysis

9.4.7 The assessed enterprise value of Genius Education assumes that a sufficient level of working capital is available to Genius Education and, as such, we have not considered any adjustment for working capital deficiencies for the purpose of our calculations. The assessed enterprise value of Genius Education must be adjusted for non-operating assets/liabilities and net cash/debt in order to arrive at the equity value of Genius Education. We have reviewed the consolidated pro-forma balance sheet of Genius Education as at 31 August 2021 (refer to table 16 of this report) and we do not consider any further adjustment to the enterprise value is required. Accordingly, we have

concluded that the value of Genius Education under the capitalisation of maintainable earnings valuation methodology is in a range of say **AU\$33.750 million to AU\$46.750 million**.

9.5 Net present value of future cash flows

9.5.1 As Genius Education is a newly established corporate entity used to acquire the Target Centres from Genius Learning, it does not have historical financial information. However, we have been provided with forecast pro-forma consolidated income statements for CY21 and CY22 of the Target Centres (refer to section 8.5 of this report). Genius Education is forecasting profitable earnings for CY21 and CY22, however it has not prepared detailed forecasts beyond CY22 that can be used to assess the medium to long term cash flow forecasts of Genius Education. As the Target Centres are at various stages of maturity and scale, there is insufficient information available that would allow us to prepare projections of future cash flows beyond CY22.

9.5.2 As Genius Education does not have any longer term detailed forecasts and in light of our comments above, we have concluded that the net present value of the future cash flows methodology cannot be appropriately used to value Genius Education at this point in time. We have however preferred to utilise the pro-forma consolidated forecasts of Genius Education for CY21 and CY22 under the capitalisation of future maintainable earnings method.

9.6 Asset based methods

9.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

Based on the Pro-Forma consolidated balance sheet of Genius Education as at 31 August 2021, Genius Education has reported net assets of approximately AU\$210,000 (refer to section 8.4 of this report). The primary assets of Genius Education are limited to the reported net book value of fixed assets in relation to the Target Centres and these values may not be representative of their realisable market value. The reported assets of Genius Education also do not consider the value of any intangible assets of the Target Centres.

In light of the above comments, we have concluded that the net asset approach does not represent the market value of Genius Education's net assets and, as such, we do not consider this to be a valid valuation methodology to be used to value Genius Education at this point in time.

(b) Orderly realisation of assets

Given Genius Education's financial support from the Genius Shareholder and the historical and forecast pro-forma profitable trading of the Target Centres, we do not consider that an orderly realisation of the assets of Genius Education is an appropriate valuation methodology to use in assessing the value of Genius Education.

(c) Liquidation of assets

We consider that this methodology is an inappropriate valuation methodology to use as Genius Education has financial support from the Genius Shareholder.

9.7 Comparable market transactions

9.7.1 We are not aware of any specific rules of thumb to be applied to valuing Genius Education or the Target Centres. As the Target Centres are being transferred between associated parties of the Genius Shareholder, the implied value of such a transaction cannot be seen to provide third party evidence of the market value of the Target Centres. Accordingly, we have not used the comparable market transaction valuation methodology to value Genius Education or the Target Centres.

9.8 Alternate acquirer

9.8.1 We are not aware of any alternative proposals or offers to acquire the Genius Education shares

nor the Target Centres and we can see no reason as to why an offer would be initiated at this time.

9.9 Conclusion

9.9.1 Under the capitalisation of maintainable earnings valuation methodology, we have concluded that the value of Genius Education is in a range of AU\$30.0 million to AU\$38.25 million. In the current circumstances of Genius Education, we have only been able to utilise this methodology and, as such, we have concluded that the value of Genius Education is in a range of **AU\$33.750 million to AU\$46.750 million** on a control basis.

10. Valuation of Mayfield after the Proposed Transaction

10.1 The value of Mayfield after the Proposed Transaction will comprise of its value before the Proposed Transaction together with the value of Genius Education, the impact of the Placement and the consideration payable to the Genius Shareholder in respect to the Proposed Transaction. In Section 7 of this report, we assessed the value of a Mayfield share before the Proposed Transaction and on a control basis to be in a range of AU\$1.320 to AU\$1.449.

10.2 To estimate the minority value of a Mayfield share after the Proposed Transaction, we have eliminated the premium for control. In Section 7.3 of this report, we selected a control premium in a range of 20.0% to 26.0% and the reciprocal minority discount is in a range of 16.7% to 20.6%. We have set out in the table below our assessment of the value of Mayfield after the Proposed Transaction, on a minority basis.

Table 20

Mayfield Childcare Limited Valuation after the Proposed Transaction			No Earn Out Component	
	section	formula	Low	High
Value of a Mayfield share before the Proposed Transaction (control basis)	7.9	a	AU\$1.320	AU\$1.449
Total ordinary shares on issue before the Proposed Transaction	6.3.1	b	32,418,965	32,418,965
Value of Mayfield before the Proposed Transaction (control basis)		$c = a \times b$	AU\$42,793,034	AU\$46,975,080
Value of Genius Education	9.9	d	AU\$33,750,000	AU\$46,750,000
Cash Consideration payable to the Genius Shareholder	2.2	e	AU\$(6,240,000)	AU\$(6,240,000)
Funds raised under the Placement ¹	2.1	f	AU\$8,000,000	AU\$8,000,000
Capital raising costs (5.0% of the minimum capital raised) ²		g	AU\$(400,000)	AU\$(400,000)
Adjusted value of Mayfield after the Proposed Transaction (control basis)		$h = c + d + e + f + g$	AU\$77,903,034	AU\$95,085,080
Control premium elimination to obtain minority value	7.3.10	i	20.6%	16.7%
Value of Mayfield after the Proposed Transaction (minority basis)		$j = h \times (1 - i)$	AU\$61,855,009	AU\$79,205,872
Total Ordinary Shares on issue in Mayfield after the Proposed Transaction	2.4	k	62,123,312	62,123,312
Value of a Mayfield share after the Proposed Transaction (minority basis) ³		$l = j / k$	AU\$0.996	AU\$1.275

¹ assumes Placement is achieved

² capital raising costs of 5.0% on the Placement only (AU\$8.0 million x 5.0%)

³ assumes initial Scrip component only

10.3 In our opinion, after completion of the Proposed Transaction and assuming the Earn Out Component is not achieved the value of a Mayfield Ordinary Share will be in a range of say **AU\$0.996 to AU\$1.275 per share, with a mid-point of AU\$1.136 per share, on a minority basis.**

- 10.4 It should however be noted that whilst the low value above is based on an assessed level of EBITDA of AU\$7.5 million, the high value is based on assessed EBITDA of AU\$8.5 million and this exceeds the Earn Out trigger value of AU\$8.0 million. For this reason, we have also assessed the value of Mayfield shares after the Proposed Transaction, assuming the Earn Out Component is achieved based on an EBITDA range of AU\$8 million in the low scenario and AU\$8.5 million in the high scenario. In assessing the increased value of Genius Education, we have applied the EBITDA multiple of 4.5 times, to the assumed incremental EBITDA of AU\$500,000 (being the multiple adopted in assessing the low value of Genius Education in paragraph 9.4.6 of this report).

Table 21

Mayfield Childcare Limited Valuation after the Proposed Transaction			Assumed Earn Out Component	
	section	formula	Low	High
Value of a Mayfield share before the Proposed Transaction (control basis)	7.9	a	AU\$1.320	AU\$1.449
Total ordinary shares on issue before the Proposed Transaction	6.3.1	b	32,418,965	32,418,965
Value of Mayfield before the Proposed Transaction (control basis)		$c = a \times b$	AU\$42,793,034	AU\$46,975,080
Value of Genius Education	10.4	d	AU\$36,000,000	AU\$46,750,000
Upfront Cash Consideration payable to the Genius Shareholder	2.2	e	AU\$(6,240,000)	AU\$(6,240,000)
Earn Out Cash Consideration payable to the Genius Shareholder ¹		f	AU\$(1,600,000)	AU\$(1,355,819)
Funds raised under the Placement ²	2.1	g	AU\$8,000,000	AU\$8,000,000
Capital raising costs (5.0% of the minimum capital raised) ³		h	AU\$(400,000)	AU\$(400,000)
Adjusted value of Mayfield after the Proposed Transaction (control basis)		$i = c + d + e + f + g + h$	AU\$80,153,034	AU\$95,085,080
Control premium elimination to obtain minority value	7.3.10	j	20.6%	16.7%
Value of Mayfield after the Proposed Transaction (minority basis)		$k = i \times (1 - j)$	AU\$63,641,509	AU\$79,205,872
Total Ordinary Shares on issue in Mayfield after the Proposed Transaction ⁴	2.3	l	67,688,529	68,335,643
Value of a Mayfield share after the Proposed Transaction (minority basis)		$m = k / l$	AU\$0.940	AU\$1.159

¹ based on 1.0 times the assumed CY22 EBITDA of AU\$8 million in the low scenario and AU\$8.5 million in the high scenario

² assumes Placement is achieved

³ capital raising costs of 5.0% on the Placement only (AU\$8.0 million x 5.0%)

⁴ the Earn Out Scrip Consideration in the low scenario does not exceed the maximum scrip payable (refer to Section 2.4 of this report) and, as such, has been calculated based on an implied share price of AU\$1.15 per Mayfield share

- 10.5 In our opinion, after completion of the Proposed Transaction and assuming the Earn Out Component is achieved (AU\$8 million in the low scenario and AU\$8.5 million in the high scenario), the value of a Mayfield Ordinary Share will be in a range of say **AU\$0.940 to AU\$1.159 per share, with a mid-point of AU\$1.05 per share, on a minority basis.**

- 10.6 After considering the share values determined from Tables 20 and 21, we believe that the share values determined in Table 21 should be preferred. Our reasons are as follows:

- The high value in Table 20 assumes maintainable EBITDA of AU\$8.5 million, which exceeds the Earn Out trigger but does not include the additional Earn Out consideration payable; and
- The low value in Table 20 exceeds the low value as per Table 21, even though it is based on a lower EBITDA of AU\$7.5 million (which does not trigger the payment of an Earn Out) compared to EBITDA of AU\$8.0 million, which does trigger Earn Out consideration.

11. Assessment as to Fairness

- 11.1 The Proposed Transaction is 'fair' if the value of the minority shares held by the Non-Associated Shareholders' in Mayfield after the Proposed Transaction is equal to or greater than the control value of the shares in Mayfield before the Proposed Transaction.
- 11.2 In Section 7 of this report, we assessed the value of a Mayfield Ordinary Share on a control basis before the Proposed Transaction to be in a range of AU\$1.320 to AU\$1.449 per share, with a mid-point of AU\$1.385 per share.
- 11.3 In Section 10 of this report, we assessed the value of a Mayfield Ordinary Share on a minority basis after the Proposed Transaction to be in a range of AU\$0.940 to AU\$1.159 per share, with a mid-point of AU\$1.050 per share.
- 11.4 As the minority value range mid-point (AU\$1.050 per share) of a Mayfield Ordinary Share after the Proposed Transaction is less than the control value range mid-point (AU\$1.385 per share) of a Mayfield Ordinary Share before the Proposed Transaction, we have concluded that the Proposed Transaction is **not fair**.

12. Assessment as to Reasonableness

- 12.1 Prior to deciding whether to approve or reject the Proposed Transaction, the shareholders of Mayfield should also consider the following significant factors:
- In Section 11 of this report, we assessed the Proposed Transaction as being not fair.
 - If Shareholders approve the Proposed Transaction, the Genius Shareholder will control up to 40.9% of Mayfield's voting power if the maximum shares permissible under the Earn Out Component is achieved and no further shares are issued from the completion of the Proposed Transaction to the achievement of the Earn Out Component (refer to table 2 of this report). If the Earn Out Component is not achieved, the Genius Shareholder may control up to 34.9% of Mayfield's voting power (refer to table 2 of this report). As a result, the combined shareholding of the Non-Associated Shareholders may be diluted from 100.00% to 47.4% and they will have reduced ability to influence the operating, financing and strategic decision of Mayfield. Further, as the voting power of the Genius Shareholder will increase beyond 25% it may have the capacity to block the passing of a special resolution.
 - The Proposed Transaction is also likely to result in Mayfield having a higher market capitalisation which may lead to greater market awareness as well as investment analyst and broker coverage and, as such, improve the Company's ability to raise funds in the future, attract strategic investors and provide greater liquidity in the market for Mayfield shares.
 - The acquisition of Genius Education may be earnings accretive and will increase the number of childcare centres operated by Mayfield from 22 to 36. The shareholders of Mayfield will be exposed to a larger childcare operator that includes a diversified geographical portfolio of centres within Victoria and outside of Victoria in particular in Queensland and South Australia. On a combined basis, Mayfield will generate larger revenues when compared to the current operations of Mayfield. Although we have not considered any speculative upside in our valuation of Mayfield post completion of the Proposed Transaction, we recognise that investors may place speculative value on the combined business of Mayfield and Genius Education upon successful integration by achieving synergy benefits and cost savings through operating efficiencies and buying power. The Proposed Transaction may see the emergence of Mayfield as a leading childcare operator and a more comparable competitor to Think and G8. This may be attractive to investors who have an appetite for speculative gains.

- If shareholders do not approve the Proposed Transaction, Mayfield's proposition will be limited to its existing childcare centres located in Victoria. Mayfield may also have to identify and pursue new childcare centre acquisitions targets which may require extensive management focus and expense to secure in order to provide shareholders with a new value proposition.
- As a strategic partner and shareholder of Mayfield, the Genius Shareholder may support the future expansion and growth of Mayfield's childcare centres across Australia in particular through the Incubator Agreement. This provides a pipeline of additional childcare centres to be acquired by Mayfield at an agreed purchase price metric of 4.25 times the reported EBTIDA of each centre, payable in cash and/or Mayfield shares. Under the Incubator Agreement, Genius Learning will develop additional childcare centres based on criteria set by Mayfield and this presents a commercial opportunity to support Mayfield's future scalability and growth and this may improve the market confidence and provide additional shareholder value for Mayfield's shareholders. We have not placed any value on this agreement in our assessment of fairness.
- The issue price of the Mayfield Ordinary Shares subject to the Earn Out Scrip Component as part of the Proposed Transaction (AU\$1.150 per MFD share) is not at any discount or premium to the closing share price of a Mayfield share on 8 October 2021 (AU\$1.150).
- The minimum issue price of the Mayfield Ordinary Shares subject to the Placement as part of the Proposed Transaction (AU\$1.00 per MFD share) is at a 13% discount to the closing share price of a Mayfield share on 8 October 2021 (AU\$1.150). Although approval of the Proposed Transaction will result in existing Mayfield shareholders losing control, they may be provided with the opportunity to subscribe for additional shares under the Share Purchase Plan.
- The Upfront Cash Consideration of the Proposed Transaction is AU\$6.24 million. If Shareholders approve the Proposed Transaction and if Mayfield completes the Capital Raising this will allow Mayfield to fund the Upfront Cash Consideration and transaction costs associated with the Proposed Transaction as well as repaying borrowings and strengthening its cash resources which may be utilised for working capital and future growth opportunities.
- Under the Licence IP Agreement, Mayfield will have right of use of the 'Genius' brand which may position Mayfield as a premium childcare operator. However, Mayfield will not own the 'Genius' brand and may pay a licence fee for future use which the market may not see as being favourable.
- The Directors of Mayfield have sought external advice and performed due diligence regarding Genius Education and the Target Centres, in particular the strategic fit, which they have subsequently approved.
- The manner in which the change to the nature and scale of Mayfield's activities is being achieved may not be consistent with the investment, financial, taxation or other objectives of all shareholders.

12.2 Based on the above, for the Non-Associated Shareholders of Mayfield.

13. **Assessment as to Fairness and Reasonableness**

After considering the above matters, we have concluded that **the Proposed Transaction is not fair but is reasonable.**

14. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

14.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

14.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("**Entity**"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

14.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

14.4 Independence

At the date of this report, none of PKF Corporate, Mr Steven Perri, Mr Paul Lom nor Mr Stefan Galbo have any interest in the outcome of the Proposed Transaction, nor any relationship with Mayfield, the Genius Shareholder and associated entities or any of their directors.

Drafts of this report were provided to and discussed with the management of Mayfield and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with Mayfield that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

14.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU\$60,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

14.6 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne Vic 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Steven Perri
Director



Paul Lom
Director

Mayfield Childcare Limited

Sources of Information

The key documents we have relied upon in preparing this report are:

- Mayfield's Annual Reports – 31 December 2019 and 31 December 2020;
- Mayfield's Half Year Report – 30 June 2021;
- Genius Education's consolidated pro-forma balance sheet as at 31 August 2021;
- Genius Education's consolidated pro-forma historical profit and loss statements for CY20 and YTD CY21;
- Mayfield's consolidated pro-forma forecast profit and loss statements of the Target Centres for CY21 and CY22;
- Mayfield's draft resolution relating to the Proposed Transaction for the purpose of the Notice of General Meeting and Explanatory Memorandum;
- Research data from publicly accessible web sites in particular Mayfield's ASX announcements; and
- Discussions with the management of Mayfield.

Mayfield Childcare Limited

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Mayfield Childcare Limited pursuant to Section 606 of the Corporations Act 2001 to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Steven Perri, director of PKF Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Paul Lom, a director of PKF Corporate reviewed this report. Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years' experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

APPOINTMENT OF PROXY FORM

MAYFIELD CHILDCARE LIMITED
ACN 604 970 390

GENERAL MEETING

I/We

of:

SRN/HIN

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held as a **virtual meeting** at **10.00am** (AEST) on **6 December 2021** and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval of the Issue of shares under the Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for Director participation in the Placement – Dean Clarke and Michelle Clarke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for Director participation in the Placement – Peter Lowe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4(a)	Approval of Issue of Shares under the Acquisition – Tranche 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4(b)	Approval of Issue of Shares under the Acquisition – Tranche 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail: YES ☐ NO ☐

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director, who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Mayfield Childcare Limited, PO Box 253 Collins Street West, VIC 8007; or
 - (b) email to perry@dwaccounting.com.au; or

so that it is received not later than **10.00am** (EST) on **4 December 2021**.

Proxy Forms received later than this time will be invalid.