8 February 2021

Mayfield Childcare Limited
Financial Results for the Full Year ended 31 December 2020

Mayfield Childcare Limited (ASX:MFD) is pleased to announce its results for the Calendar Year 2020.

Statutory revenue was $25.1m (down 30.0%). With the addition of the various Industry Support Packages and JobKeeper Wage Subsidies totalling $12.4m, revenue was $37.5m (up 4.7%), delivering a reported Net Profit After Tax (NPAT) of $3.7m (up 11.7%).

Reversing the application of AASB 16 *Leases*, Underlying Results are as follows:

CY 2020 Underlying Results from continuing operations:

	CY 2020	PCP Variance %
Revenue	**$24.7m**	**(31.1%)**
Industry Support Packages & JobKeeper Wage Subsidy	$12.4m	
Total Revenue	**$37.1m**	**+3.6%**
Centre EBITDA	**$9.3m**	**+12.6%**
Group EBIT	**$6.2m**	**+8.3%**
NPAT	**$4.5m**	**+17.9%**

COVID-19 and Federal Government Support

The unprecedented events of the COVID-19 pandemic, coupled with the extensive and ever evolving social and economic restrictions imposed to combat the various outbreaks, have characterised the performance of the sector and Mayfield over the course of CY 2020. Notwithstanding the operational challenges faced by the business, the various Federal Government funding initiatives have clearly validated the sector fundamentals and the essential nature of early childhood education to our community and the economy.

To recap:

Early Childhood Education and Care (ECEC) Relief Package - $4.3m

The first in a series of support payments, the ECEC Relief Package announced on 2 April, capped revenue for providers at 50% of their pre-COVID-19 fee levels, removed Child Care Subsidy (CCS) with the suspension of the CCS system, and provided fee relief to parents in the form of free childcare.

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Transition Payment - $1.8m

Announced on 8 June, the ECEC Relief Package was reviewed and updated with a Transition Phase Package of support from 13 July to 27 September, which represented 25% of pre-COVID-19 fee levels and was paid in addition to the normal CCS and co-parent payments.

As the situation in Victoria worsened, the Federal Government moved to increase the Transition Payment by a further 5%, from 6 August to 13 September, while providing families with an additional 30 days of allowable absences.

Recovery Payment - $2.0m

With COVID-19 cases escalating and the extension of Stage 4 restrictions in Victoria inevitable, the Federal Government announced on 20 September the Recovery Payment package. Again representing 25% of pre-COVID-19 fee levels and paid in addition to the normal CCS and co-parent payments, the payments ran from 28 September to 31 January 2021.

JobKeeper Wage Subsidy - $4.3m

Running in tandem with the initial ECEC Relief Package the early childhood education sector was eligible for the Federal Government's JobKeeper Wage Subsidy program, from 6 April to 19 July, providing the necessary funds at the time to meet, in part, the significant labour and other operational costs of the sector, whilst ensuring continued employment of staff.

CY 2020 in Review

The 2020 year has been a roller-coaster, as the business and our families have responded to the extraordinary and rapidly changing social and economic restrictions and evolving guidelines around access to childcare, as the country has sought to successfully combat the pandemic.

As a solely Victorian based business, Victoria has been under constant and varying levels of COVID-19 restrictions since April, with restrictions to this day controlling return to work levels for private office and public service workers. During which time the business has navigated its way through periods of free childcare, restricted childcare access, curfews & permitted worker schemes, while executing the JobKeeper Wage Subsidy and ensuring compliance with the various conditions imposed by the specific industry support packages. All of which is a testament to the resilience of the business and our people, and our unwavering commitment to the support and protection of the health and well being of the children we care for and educate every day.

The principle focuses for the business throughout 2020 have been a protective strategy, to both the health needs of our children and our team of educators, while safeguarding the economics of the business and continuity of operations.

While occupancy levels have been depressed throughout the year as a result of the pandemic, attendance rates at the centres have swung sharply, reflecting the swift impact that changes in restrictions have had on parents' participation and the financial performance of the business.

The Government's swift and financially significant response at every hurdle to support the sector was impressive, and succeeded in ensuring the viability of the sector during this health crisis. The industry support packages reinforced the essential role our sector plays in the economy, in addition to the important role we play in the cognitive, social and emotional development of children.

CY 2020 Key Underlying Operational Results

Occupancy: 67.2%	• Down 2.3% vs pcp, as normal 2nd half occupancy gains were impacted by the breadth and duration of Victorian Stage 4 restrictions
Revenue: $37.1m	• Overall, up 3.6% vs pcp, though mix of revenue changed significantly with contribution from industry support packages and JobKeeper of $12.4m
Wages: $19.9m	• Down 1.2% vs pcp, through optimisation of team rostering • Total wages costs compared to revenue improved by 1.2% to 55.1%
Rent: $3.7m	• Engagement with landlords generated $0.4m reduction in property lease costs
EBIT: $6.2m	• Up 8.3% vs pcp reflecting improvements in centre operating margins of 2.0% to 25.0%
NPAT: $4.5m	• Up 17.9% vs pcp, reflecting flow through of EBIT performance and controlled financing costs
Net Debt: $8.4m	• Down $3.8m or 31.5%, with cash holdings of $1.6m and available loan facilities of $8.7m
Net Assets: $31.0m	• Up $2.0m or 6.9%
ACECQA Quality Rating	• 90% of services rated Meeting or Exceeding the National Quality Framework

CY 2021 Outlook

The Mayfield Board remains cautiously optimistic about the prospects for 2021. Early indications show increased enquiries and bookings. Notwithstanding, the economic recovery of the country and Victoria in particular will have its challenges along with the cessation of the Job Keeper program in March 2021.

In anticipation of improved operating conditions, the Board will reverse its decision not to declare or pay a dividend in respect of the CY2020, and will in turn provide shareholders with a fully franked divided of 2.00 cents per share (cps) payable in March 2021. The Board recommends your consideration of the Dividend Reinvestment Plan (DRP). Shareholders who elect to take shares instead of cash under the DRP will receive shares at a discount of 5% to the VWAP share price over the pricing period.

Mayfield Childcare Chief Executive Officer Dean Clarke said “With a strong balance sheet and facilities at hand, Mayfield Childcare is actively exploring acquisition opportunities across the Victorian, South Australian and New South Wales markets. In addition, we are establishing a base of greenfield developments within Victoria, that meet stringent performance metrics, and acceptable development timelines. This acquisitive and greenfield growth will supplement the core childcare business and our burgeoning Managed Services business of third-party childcare services.”

Please direct any further enquiries to:

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ASX Preliminary Final Report

Year ended 31 December 2020

Lodged with the ASX under Listing Rule 4.3A

Contents

Company details

Name of reporting entity:	Mayfield Childcare Limited ("Mayfield", "Company")
ABN:	53 604 970 390
Reporting period:	Year ended 31 December 2020
Previous corresponding reporting period (pcp):	Year ended 31 December 2019

Results for announcement to the market

	Movement	***%***	***$***
Revenue from ordinary activities	Up	4.7	37,536,185
Profit after tax attributable to members	Up	11.7	3,738,719
Net Profit for the period attributable to members	Up	11.7	3,738,719

Dividend type	*Amount per security (cents)*	*Franked amount per security (cents)*
Final dividend	2.0	2.0
Interim dividend	None	Not applicable

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ('DRP'), shareholder participation in which is optional. The Board has determined that the DRP will apply to the final dividend declared today. Shares issued under the DRP in relation to this final dividend will be issued at a 5% discount to the volume weighted average market price for the 10 trading days commencing 15 February 2021.

Brief explanation of results

Please refer to the accompanying announcement.

	31 Dec 2020 (cents)	*31 Dec 2019 (cents)*

Net tangible assets

Net tangible asset backing per ordinary share	**(111.74)**	(116.38)

Control over other entities

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

Associates and joint venture entities

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

Compliance statement

This report is based on accounts which are in the process of being audited.

MAYFIELD
CHILDCARE LIMITED

Mayfield Childcare Limited

ABN: 53 604 970 390

Preliminary Financial Report

Year ended 31 December 2020

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

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

	Note	Cents	Cents
Basic and diluted earnings per share	8	**11.72**	10.58

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

PRELIMINARY STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

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

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

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

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

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

PRELIMINARY STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	2020 (unaudited) $	2019 $
Cash flows from operating activities		
Receipts from customers, including government funding	**37,726,243**	35,595,535
Payments to suppliers and employees	**(25,324,684)**	(25,252,296)
	12,401,559	10,343,239
Other receipts	**20,156**	17,836
Interest paid on lease liabilities	**(825,684)**	(770,846)
Net interest paid on borrowings	**(402,723)**	(659,737)
Net income tax paid	**(739,175)**	(2,098,951)
Net cash inflow from operating activities	**10,454,133**	6,831,541
Cash flows from investing activities		
Payments for plant and equipment	**(1,010,711)**	(1,247,804)
Centre closure costs	**(65,120)**	-
Proceeds from the disposal of plant and equipment	**636**	-
Payments for purchases of businesses plus associated costs	**-**	(901,592)
Proceeds from return of security deposit	**-**	5,844
Net cash outflow from investing activities	**(1,075,195)**	(2,143,552)
Cash flows from financing activities		
Repayment of lease liabilities	**(3,373,851)**	(3,126,768)
Repayment of borrowings	**(2,891,608)**	(750,000)
Dividend paid	**(2,190,152)**	(1,933,964)
Share issue costs	**(2,823)**	(5,100)
Net cash outflow from financing activities	**(8,458,434)**	(6,586,678)
Net increase/(decrease) in cash and cash equivalents	**920,504**	(1,127,843)
Cash and cash equivalents at the beginning of the year	**648,960**	1,776,803
Cash and cash equivalents at the end of the year	**1,569,464**	648,960

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

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

Note 1. Summary of Significant Accounting Policies

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

There have been no material changes to the Company's application of its significant accounting policies as presented in the Company's financial statements for the year ended 31 December 2019, hence readers of this preliminary report should refer to Note 1 *Summary of significant accounting policies* in the Company's financial statements for the year ended 31 December 2019 for details of those accounting policies.

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

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

Going concern

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

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

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

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

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

New Accounting Standards and Interpretations published but not yet adopted

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

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

	2020 (unaudited) $	2019 $

Note 2. Revenue

	2020 (unaudited) $	2019 $
Childcare services	**32,786,428**	35,848,310
JobKeeper wages subsidy	**4,336,500**	-
Property rent reductions	**348,630**	-
Early termination of property leases	**46,207**	-
Other net income	**18,420**	17,557
	37,536,185	35,865,867

Note 3. Non-current assets – Plant and equipment

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

Note 4. Non-current assets – Intangibles

	2020 (unaudited) $	2019 $
Goodwill – at cost	**39,638,275**	39,740,835
Reconciliation		
Balance at beginning of year	**39,740,835**	38,855,655
Additions through business combinations	**-**	883,002
Adjustments from prior period business combinations	**(2,511)**	2,178
Closure of centre	**(100,049)**	-
Balance at end of year	**39,638,275**	39,740,835

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

	2020 (unaudited) $	2019 $

Note 5. Current & Non-current liabilities – Borrowings

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

Financing arrangements

Bank loans

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

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

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

Note 6. Leases

A. Expenses

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

B. Cash flows

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

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

Note 6. Leases (continued)

C. Right-of-use assets

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

D. Lease Liabilities

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

Additional information

Unavoidable future payments

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

Weighted average property lease term

The average unavoidable property lease term, weighted for the number of licensed places, is 6.2 years (Dec 2019: 7.2 years).

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

Motor vehicle leases

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

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

Note 7. Contributed equity

(a) Share capital

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

(b) Movements in ordinary share capital

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

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

Note 8. Earnings per share

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

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