

ASX Preliminary Final Report

Year ended 31 December 2022

Lodged with the ASX under Listing Rule 4.3A

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Company details

Name of reporting entity:	The Mayfield Group comprises Mayfield Childcare Limited (ABN: 53 604 970 390) and its fully owned subsidiary Genius Education Pty Ltd (ABN: 39 653 437 935).
ASX Code:	MFD
Reporting period:	Year ended 31 December 2022
Previous corresponding reporting period (pcp):	Year ended 31 December 2021

Results for announcement to the market

	<i>Movement</i>	<i>%</i>	<i>\$</i>
Revenue from ordinary activities	Up	75.9	70,481,287
Profit from ordinary activities after tax attributable to members	Up	96.9	5,062,631
Net Profit for the period attributable to members	Up	96.9	5,062,631

<i>Dividend type</i>	<i>Amount per security (cents)</i>	<i>Franked amount per security (cents)</i>
Final dividend for the year ended 31 December 2022	4.38	4.38
Interim dividend for the half-year ended 30 June 2022	2.76	2.76
<p>The Company is not offering its Dividend Reinvestment Plan ('DRP') in relation to the final dividend for the year ended 31 December 2022.</p> <p>On 23 September 2022 the Company paid an interim dividend for the half-year ended 30 June 2022 of 2.76 cents per ordinary share, fully franked, amounting to \$1,771,532. Cash dividend payments totalled \$596,855 and 1,129,497 ordinary shares were issued under the DRP at \$1.04 per share.</p> <p>On 28 February 2023 the company is pleased to declare its final dividend for the year ended 31 December 2022 of 4.38 cents per ordinary share, fully franked, with a record date of 8 March 2023. The dividend will be paid on 21 April 2023, the total cash cost of which is estimated to be \$2,860,696.</p>		

Brief explanation of Revenue

Revenue was up 75.9% due to the pcp not including a full year contribution from the 14 Genius Childcare centres.

Brief explanation of Profit (and Net Profit)

Profit (and Net Profit) was up 96.9% due to the pcp not including a full year contribution from the 14 Genius Childcare centres.

31 Dec 2022 (cents)	31 Dec 2021 (cents)
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Net tangible assets

Net tangible asset backing per ordinary share ¹	(211.83)	(239.93)
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1. Right-of-use assets are excluded from, whilst lease liabilities are included in, the calculation of net tangible asset (NTA) backing per ordinary share.
 Underlying (pre-AASB 16 *Leases*) NTA is (2.43) cents (2021: (26.09) cents).

Control over other entities

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

Associates and joint venture entities

The Company has no associates, nor has it formed any joint ventures with any other 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

ABN: 53 604 970 390

Preliminary Financial Report

Year ended 31 December 2022

PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	2022 (unaudited) \$	2021 \$
Revenue	3	70,481,287	40,062,379
Net loss on disposal of centre		(53,591)	-
Employees		(40,629,613)	(24,275,378)
Centre operations		(5,264,755)	(1,918,584)
Facilities		(2,729,748)	(1,291,646)
Administration		(1,571,131)	(821,496)
Acquisition costs		-	(1,286,498)
Depreciation and amortisation of plant and equipment	4	(1,079,761)	(692,144)
Depreciation charge on right-of-use assets	7	(8,978,310)	(4,400,658)
Finance costs		(3,468,426)	(1,360,319)
Profit before income tax		6,705,952	4,015,656
Income tax expense		(1,643,321)	(1,444,329)
Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited		5,062,631	2,571,327
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited		5,062,631	2,571,327

	Note	Cents	Cents
Basic and diluted earnings per share	13	7.87	7.53

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

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	2022 (unaudited) \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,656,793	2,265,096
Trade and other receivables		3,980,931	2,052,723
Prepayments		596,983	773,826
Total current assets		7,234,707	5,091,645
Non-current assets			
Plant and equipment	4	3,864,017	3,759,649
Intangibles	5	74,110,630	82,611,833
Right-of-use assets	7	131,410,100	133,539,678
Deferred tax		2,607,662	1,611,186
Total non-current assets		211,992,409	221,522,346
Total assets		219,227,116	226,613,991
LIABILITIES			
Current liabilities			
Trade and other payables		4,729,031	3,708,072
Contract liabilities		812,450	875,662
Borrowings	6	-	409,081
Leases	7	6,353,786	6,321,503
Current tax liabilities		276,136	576,297
Provisions		2,433,596	2,606,566
Total current liabilities		14,604,999	14,497,181
Non-current liabilities			
Borrowings	6	4,326,600	8,076,600
Leases	7	130,411,873	129,274,190
Provisions		106,135	9,160,435
Total non-current liabilities		134,844,608	146,511,225
Total liabilities		149,449,607	161,008,406
Net assets		69,777,509	65,605,585
EQUITY			
Contributed equity	8	60,618,740	58,469,660
Retained earnings		9,158,769	7,135,925
Total equity		69,777,509	65,605,585

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

PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share Capital \$	Retained Earnings \$	Total \$
2021			
Balance as at 1 January 2021	24,100,720	6,003,215	30,103,935
Profit after income tax expense for the year	-	2,571,327	2,571,327
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,571,327	2,571,327
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity, net of transaction costs (Note 8)	34,368,940	-	34,368,940
Dividend paid		(1,438,617)	(1,438,617)
Balance as at 31 December 2021	58,469,660	7,135,925	65,605,585
2022 (unaudited)			
Profit after income tax expense for the year	-	5,062,631	5,062,631
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	5,062,631	5,062,631
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity, net of transaction costs (Note 8)	2,149,080	-	2,149,080
Dividends paid		(3,039,787)	(3,039,787)
Balance as at 31 December 2022	60,618,740	9,158,769	69,777,509

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

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	2022 (unaudited) \$	2021 \$
Cash flows from operating activities		
Receipts from customers, including government funding	68,455,376	39,669,518
Payments to suppliers and employees	(50,321,408)	(26,951,669)
	18,133,968	12,717,849
Other receipts	851,506	372,310
Interest paid on lease liabilities	(3,035,579)	(897,512)
Net interest paid on borrowings	(430,835)	(340,894)
Net income tax paid	(3,094,688)	(2,039,088)
Net cash inflow from operating activities	12,424,372	9,812,665
Cash flows from investing activities		
Proceeds from the disposal of centre, net of costs	230,928	-
Proceeds from the disposal of plant and equipment	29,769	-
Payments for plant and equipment	(1,355,532)	(1,031,480)
Payments for purchases of businesses plus associated costs	(62,658)	(10,568,304)
Centre closure costs	-	(45,922)
Net cash outflow from investing activities	(1,157,493)	(11,645,706)
Cash flows from financing activities		
Proceeds from the issue of shares	-	9,750,002
Repayment of lease liabilities	(5,668,850)	(3,644,178)
Repayment of borrowings	(4,159,081)	(1,819,800)
Dividends paid	(998,024)	(1,124,566)
Share issue costs	(49,227)	(619,785)
Payment of borrowing costs	-	(13,000)
Net cash (outflow) / inflow from financing activities	(10,875,182)	2,528,673
Net increase in cash and cash equivalents	391,697	695,632
Cash and cash equivalents at the beginning of the year	2,265,096	1,569,464
Cash and cash equivalents at the end of the year	2,656,793	2,265,096

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

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Note 1. Summary of Significant Accounting Policies

The preliminary consolidated financial statements are for the consolidated entity consisting of Mayfield Childcare Limited ("Company") and its subsidiary Genius Education Pty Ltd (hereinafter collectively referred to as the "Group"), and are prepared on a going concern basis and under the historical cost convention.

There have been no material changes to the Group's application of its significant accounting policies as presented in the Company's financial statements for the year ended 31 December 2021, hence readers of this preliminary consolidated report should refer to Note 1 *Summary of significant accounting policies* in the Company's financial statements for the year ended 31 December 2021 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.

Going concern

Current liabilities exceed current assets at reporting date by \$7.4 million, including \$6.4 million of lease liabilities which are expected to be settled through operating cash flows earned in the next twelve months. The Group generated a net operating cash inflow of \$12.4 million during the reporting period and is forecasting that it will continue to generate strong net operational cash inflow, and be profitable, for the next 12 months. The Group had up to \$10.2 million (at reporting date) available to be drawn down from its lending facility for working capital requirements and it closely monitors its cash resources.

In considering the pandemic and its expected impact upon the future cash flows of the Group, the directors of the Company 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 recover and then grow over the course of 2023 as the ongoing effects of the pandemic are expected to diminish.

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 consolidated 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.

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

New Accounting Standards and Interpretations published but not yet adopted

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

Note 2. Operating segments

Identification of reportable segments

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

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

Major customers

The Group did not have any major customers during the year ended 31 December 2022, as it earns the majority of its revenue from childcare provided to individual families.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

	2022 (unaudited) \$	2021 \$
Note 3. Revenue		
Childcare services	68,978,712	39,734,148
Other income	1,469,882	328,231
Gain on disposal of property lease	32,693	-
	<u>70,481,287</u>	<u>40,062,379</u>

Note 4. Non-current assets – Plant and equipment

Plant and equipment – at cost	6,671,124	5,488,365
Less: Accumulated depreciation	(2,807,107)	(1,728,716)
Net book amount	<u>3,864,017</u>	<u>3,759,649</u>

Reconciliation

Opening net book amount at beginning of year	3,759,649	2,558,724
Net additions through business combinations	-	870,903
Additions	1,355,531	1,031,479
Transfer in from Leases - Motor Vehicles (Note 7)	21,016	-
Adjustments from finalised prior period business combinations (Notes 5 & 9)	3,363	-
Disposals	(195,781)	(9,313)
Depreciation expense	(1,079,761)	(692,144)
Closing net book amount at end of year	<u>3,864,017</u>	<u>3,759,649</u>

Note 5. Non-current assets – Intangibles

Goodwill – at cost	<u>74,110,630</u>	<u>82,611,833</u>
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Reconciliation

Balance at beginning of year	82,611,833	39,638,275
Adjustments from finalised prior period business combinations (Notes 4 & 9)	(713)	-
Additional purchase consideration adjustments (Note 9)	(8,400,000)	-
Disposal of centre	(100,490)	-
Additions through business combinations	-	42,973,558
Balance at end of year	<u>74,110,630</u>	<u>82,611,833</u>

During the reporting period one centre was sold and none were acquired.

Additional purchase consideration adjustments

The adjustments to goodwill during the current reporting period stem from measurement period adjustments with regards to the acquisition of Genius Education Pty Ltd on 10 December 2021. At 31 December 2021 the Group lacked sufficient information to enable it to conclusively complete its assessment of the contingent consideration payable, however this assessment has now been completed during the current reporting period.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Note 5. Non-current assets – Intangibles (continued)

Goodwill impairment testing

In relation to the acquisition of the 14 Genius Childcare centres, having taken into consideration the impact of:

- the write-back of the \$9 million provision for earn-out in relation to the purchase consideration contingently payable; and
- the addition of \$0.6 million in additional purchase consideration which became payable under a Deed entered into at the time of acquisition to account for settlement adjustments relating to employee entitlements

in its impairment review, the Board has concluded that no impairment is required to the carrying amount of goodwill at 31 December 2022.

2022 (unaudited)	2021
\$	\$

Note 6. Current & Non-current liabilities – Borrowings

Current	-	409,081
Non-current	4,326,600	8,076,600
	<u>4,326,600</u>	<u>8,485,681</u>

Bank Loans

Balance at beginning of year	8,076,600	9,896,400
Net repayments	(3,750,000)	(1,819,800)
Balance at end of year	<u>4,326,600</u>	<u>8,076,600</u>

WorkCover Premium Funding

Balance at beginning of year	409,081	-
Net borrowings	-	813,393
Net repayments	(409,081)	(404,312)
Balance at end of year	<u>-</u>	<u>409,081</u>

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	28,591,000	30,019,000
Less amount drawn	(4,326,600)	(8,076,600)
Unused facility	<u>24,264,400</u>	<u>21,942,400</u>

Of the \$24.3 million unused, \$14.1 million is only available for future acquisitions and there are specific criteria which need to be met prior to any draw-down. There have been no events of default on the financing arrangements of the Company during the year.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

	2022 (unaudited) \$	2021 \$
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Note 7. Leases

A. Expenses

Expenses from transactions not recognised as leases:

Rental expense relating to leases of low-value assets	34,240	55,661
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B. Cash flows

Total cash outflow for leases	8,704,429	4,541,690
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C. Right-of-use assets

(unaudited)

	Property \$	Motor Vehicles \$	Total \$
Right-of-use assets	150,888,145	-	150,888,145
Less: Accumulated depreciation	(19,478,045)	-	(19,478,045)
Net book amount at end of year	131,410,100	-	131,410,100

Reconciliation

Opening net book amount at beginning of year	133,518,662	21,016	133,539,678
Increase due to addition of next further term	5,760,160	-	5,760,160
Increase due to remeasurement of lease liabilities upon increase of variable lease payments	1,903,631	-	1,903,631
Increase due to market reviews	132,170	-	132,170
Transfer out on reclassification upon completion of finance leases (Note 4)	-	(21,016)	(21,016)
Decrease on temporary cessation of lease payments	(330,501)	-	(330,501)
Decrease on disposal of lease	(595,712)	-	(595,712)
Depreciation charge	(8,978,310)	-	(8,978,310)
Closing net book amount at end of year	131,410,100	-	131,410,100

D. Lease Liabilities

	\$
Current	6,353,786
Non-current	130,411,873
Balance at end of year	136,765,659

Additional information

Unavoidable future payments

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

Weighted average property lease term

The average unavoidable property lease term, weighted for the number of licensed places, is 12.7 years (Dec 2021: 12.7 years).

Including all further terms, the weighted average term increases to 28.3 years (Dec 2021: 29.1 years).

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Note 8. Contributed equity

(a) Share capital

The share capital account of Mayfield Childcare Limited (the Company) consists of 65,312,704 fully paid up, ordinary shares as at 31 December 2022.

Ordinary shares entitle the holder to participate in dividends, and the proceeds on winding up of the Company, in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting of the Company, either personally or by duly authorised representative, proxy or attorney, is entitled to one vote and, upon a poll, each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Movements in ordinary share capital

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

Date	Details	Number of shares	Amount \$
1 Jan 2021	Opening balance	32,100,662	24,100,720
26 Mar 2021	Issued under Dividend Reinvestment Plan	145,938	131,344
24 Sep 2021	Issued under Dividend Reinvestment Plan	172,365	182,707
10 Dec 2021	Issued to Vendor of Genius Childcare centres	21,704,347	24,960,000
10 Dec 2021	Issued via Placement	7,619,048	7,999,998
10 Dec 2021	Issued under Share Purchase Plan	1,666,663	1,750,004
	Less: Share issue transaction costs, net of tax		(655,113)
31 Dec 2021	Balance	63,409,023	58,469,660
(unaudited)			
4 Apr 2022	Issued under Dividend Reinvestment Plan	774,184	867,086
23 Sep 2022	Issued under Dividend Reinvestment Plan	1,129,497	1,174,677
	Add: Share issue transaction costs, net of tax (including prior periods tax adjustments)		107,317
31 Dec 2022	Closing balance	65,312,704	60,618,740

(c) Dividend Reinvestment Plan (DRP)

The Company has established a Dividend Reinvestment Plan (DRP) under which holders of ordinary shares may elect to have all or part of their dividend entitlement satisfied by the issue of new ordinary shares, rather than by being paid in cash. Shares are issued under the DRP at a 5% discount to the volume-weighted average price (VWAP) over the pricing period, as determined by the directors. The Company is not offering its DRP in relation to the final dividend for the year ended 31 December 2022.

(d) Share options

There were no unissued ordinary shares of Mayfield Childcare Limited under option at 31 December 2022.

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

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Note 9. Business combinations

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

Finalisation of prior period provisional estimates

During the reporting period final adjustments were made to the initial provisional estimates of the fair value of assets acquired and liabilities assumed in business combinations undertaken in the prior reporting period, as follows:

	Genius Childcare Centres \$	Carrum Downs \$	Dandenong \$	Total \$
Goodwill ¹				
Finalised fair value	30,443,308	-	-	30,443,308
Less initial provisional estimate	(38,843,308)	-	-	(38,843,308)
Plant and equipment				
Finalised fair value		5,446	7,917	13,363
Less initial provisional estimate		(5,000)	(5,000)	(10,000)
Contract liabilities				
Finalised fair value		(4,850)	-	(4,850)
Less initial provisional estimate		2,200	-	2,200
Increase/(decrease) in fair value in the current reporting period (Note 5)	(8,400,000)	(2,204)	2,917	(8,399,287)

1. The movement in Goodwill comprises:
- (\$9,000,000) write-back of contingent purchase consideration (earn-out) not earned; and
 - \$600,000 in additional purchase consideration which became payable under a Deed entered into at the time of acquisition to account for settlement adjustments relating to employee entitlements.

Note 10. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in Note 1(b) of the Notes to the Consolidated Financial Statements for the year ended 31 December 2021:

Name of entity	Country of incorporation	Class of shares	2022 %	2021 %
Genius Education Pty Ltd	Australia	Ordinary	100	100

Note 11. Related party transactions

Transactions with related parties

Management of Genius Childcare centres

From 10 December 2021 (initial acquisition date) to 30 September 2022 the day-to-day management of the 14 Genius Childcare centres was provided by an entity controlled by the vendor of the centres (Genius Vendor) in accordance with the terms of the Transitional Services Agreement between the two parties. The Genius Vendor is a major shareholder of the Company.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Note 11. Related party transactions (continued)

Loan

During the reporting period the Company's subsidiary provided agreed centre support services to a company controlled by the Genius Vendor. The services were provided on commercial terms. These services, along with minor funding due to, and expenses paid on behalf of the Genius Vendor by, the Company's subsidiary, have been accumulated as an unsecured loan outstanding at reporting date totalling \$1,303,088 (31 December 2021: \$110,125). With repayment due within 12 months, the loan has been classified as a current asset and is included within *Trade and other receivables* in the consolidated statement of financial position. There is no commitment to provide further related party services beyond the current reporting date.

Management services agreements

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

Note 12. Events occurring after the reporting period

On 8 February 2023 the Company announced to the market a childcare centre acquisition in Cairns, Queensland.

On 24 February 2022 the Company announced to the market that it had initiated an independent forensic investigation following internal enquiries relating to potential incorrect accounting treatment and misappropriation of Company funds by a former employee of the Company. As at the date of this report:

- the amount of funds the subject of the investigation is not sufficient to impact the day-to-day activities of the Company;
- the independent forensic investigation remains incomplete but is ongoing; and
- the Board expects to receive a final report from the independent forensic investigator in the near term.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect, the Company's operations, the results of those operations or the Company's state of affairs in future years.

Note 13. Earnings per share

	2022 (unaudited) Cents	2021 Cents
Basic and diluted earnings per share	7.87	7.53
	Number	Number
Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	64,295,400	34,127,659
	\$	\$
Earnings used in calculating basic and diluted earnings per share		
Profit after tax attributable to the ordinary equity holders of the Company	5,062,631	2,571,327

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