

2022
Annual Report

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mayfield

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Acknowledgement of Country

We acknowledge the Traditional Owners of the land on which we operate our childcare services across Australia. We pay our respects to their Elders, past, present and emerging, and recognise the ongoing connection to Country and the important role that Aboriginal and Torres Strait Islander peoples continue to play in caring for this land.

As a childcare services provider, we are committed to working collaboratively with Indigenous communities to promote reconciliation, cultural awareness and understanding. We recognise the importance of valuing and respecting Indigenous cultures and knowledge, and seek to embed this in our practices and policies to ensure that we provide culturally safe and inclusive environments for all children in our care.

We nurture. It's our nature.

At Mayfield, our centres help every child reach their natural potential. A place to grow and discover. Grounded in each community. Where experienced educators, deliver quality care for every child. Where you are family, and each day is full of joyful possibilities. A place to be all that they can be.

Our Business

Mayfield Childcare Limited owns and operates 36 long day care centres located in Victoria, Queensland and South Australia, providing quality education and care to over 3,000 families.

Our experienced Board, management and educational team of over 900 staff are passionate about providing the best quality childhood learning and care. Their focus is on creating a nurturing and safe environment that supports children's growth and development.



Our Identity

Since 2016 we have provided education and care to children in our local communities under 23 different brands. Today, we are excited to present to you our single brand strategy. By consolidating under a single identity, we will be able to better leverage our scale to drive cost efficiencies, align people and culture, and improve brand awareness within the marketplace.

Over the next 24 months, Mayfield's centres will undertake a refresh and transition to the Mayfield Early Education identity, creating a cohesive and consistent brand across the Group, whilst maintaining the individuality of each centre.

The leadership team have worked tirelessly with an award-winning creative agency to develop a new visual identity, focused on four key pillars which reflect our vision for the future:

1. Connected by community
2. In safe hands
3. Quality education you can count on
4. Home away from home

By consolidating our brands we will create a stronger and more recognisable identity that consistently reflects our values and purpose at each of our centres.

In addition to our rebrand, we will also refresh our digital assets, which includes the launch of our new corporate website, which will soon be followed by the roll-out of a new consumer facing website.

We are excited about the outcome of this journey and the ways in which it aligns our values, personality and educational philosophy into one cohesive vision. We hope that our refreshed brand identity and the consolidation of our childcare centres under the Mayfield Early Education brand will resonate with you, our shareholders.



Ashok Naveinthiran
CEO



Francis Truong
Head of Marketing & Communications

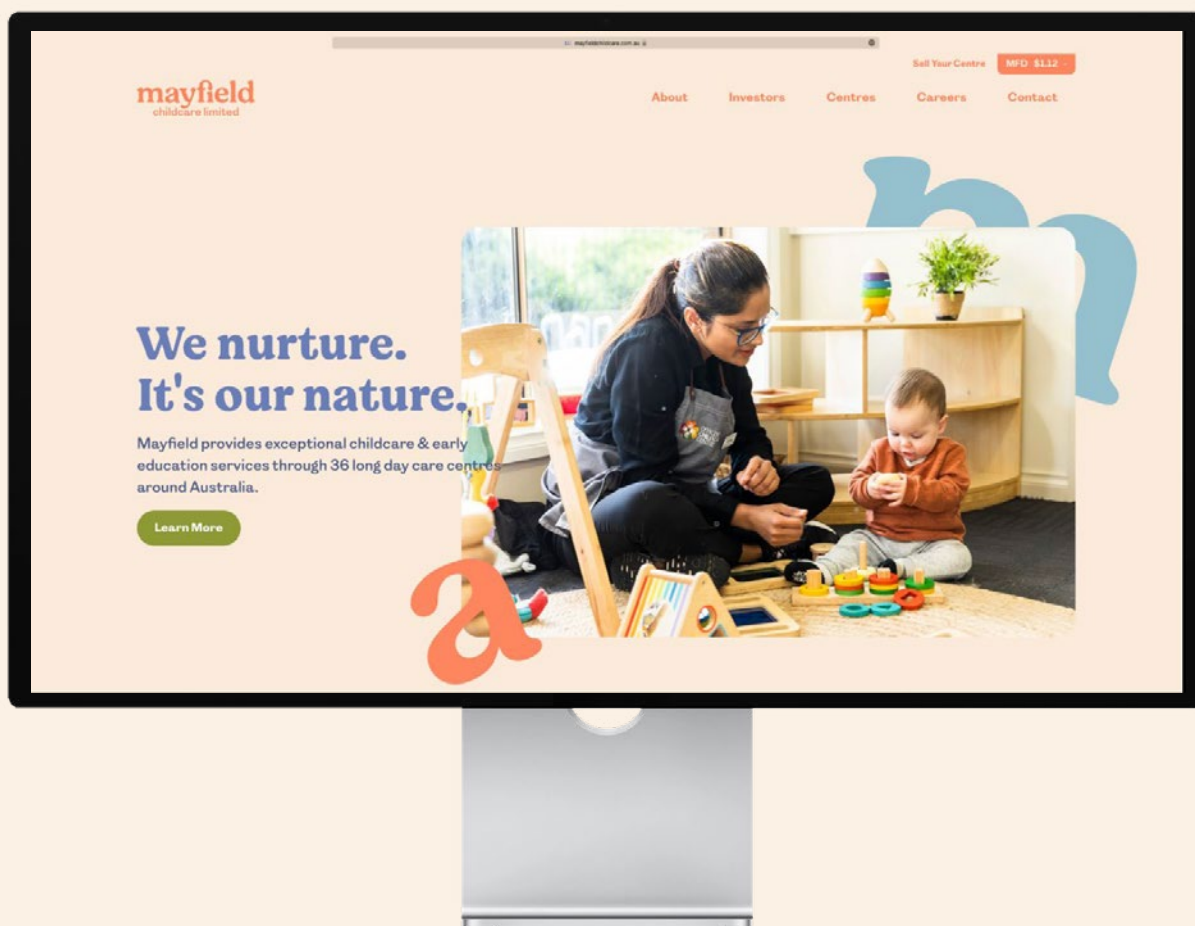




Branded hats



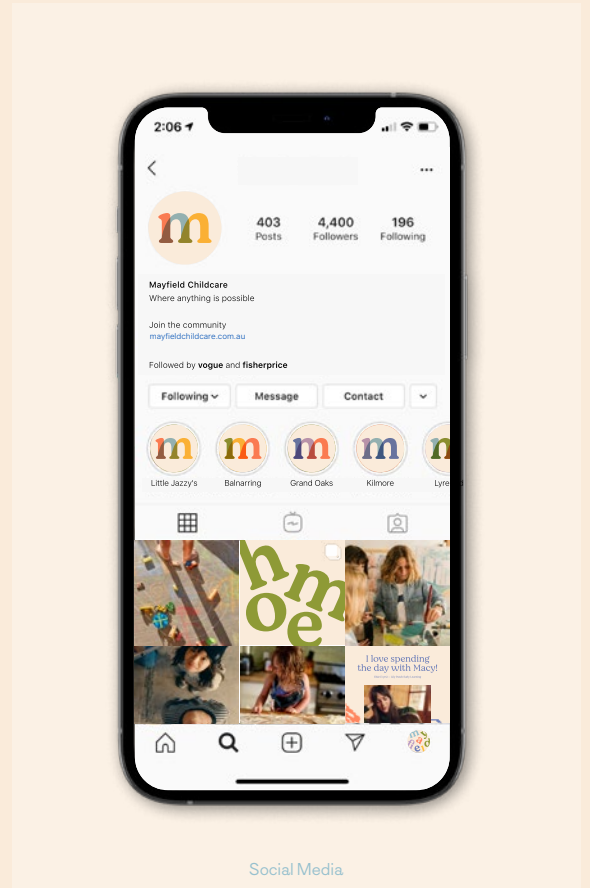
Notebook



Corporate website



Branded hats



Social Media



Signage

From the Chairman

Dear Shareholders,

I am pleased to present to you the Mayfield Childcare Limited 2022 Annual Report.

This has been a year of significant transformation and progress for the Group, as we have successfully integrated 14 childcare centres acquired in December 2021, managed the transition out of COVID and the impact of omicron, and appointed a new CEO to lead our growth strategy.

The integration of the 14 centres has not been without its challenges. However the integration process has driven significant learnings and improvements across our operations, technology and people and culture which provide us with a strong foundation for future growth. Throughout the year, we have maintained high standards of health and safety, supported our staff and families, and ensured high quality of education and care for the children attending our services across the country.

A key milestone for the year was the appointment of our new CEO, Ashok Naveinthiran, who joined us in August 2022. Ashok brings to Mayfield over 15 years of experience in finance, private equity and early education. He has a proven track record of delivering growth, innovation and excellence and has brought a fresh perspective and energy to our company culture, vision and strategy. I am confident that under his leadership Mayfield will achieve its full potential in the years ahead.

Overall Net Profit After Tax of \$4.9M reflected a 96.9% increase on the prior year, driven largely by the contribution from new centre acquisitions. The Group continued to maintain a strong Balance Sheet and healthy operational cashflows which resulted in a \$4.5M reduction in net debt and \$24.3M in unused bank facilities available to drawdown. We were further pleased to announce a final dividend of 4.38 cents, bringing the total dividend for the year to 7.14 cents.

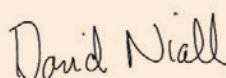
We remain committed to our growth strategy of acquiring new childcare centres and leveraging our operating model and capabilities. We believe that this strategy will enable us to further strengthen our economies of scale, expand our geographic footprint and deliver a superior value proposition to our families and communities. We have a pipeline of acquisition opportunities that we are actively pursuing and will continue to make investments in our people and culture, technology innovation, curriculum enhancement, and brand awareness.

We are proud of what we have accomplished this year but note that further work is required to strengthen the Group's foundations. We are aware of the opportunities and challenges ahead of us and are determined to deliver quality childcare services that meet the needs and expectations of our families and communities. We are focused on executing our growth strategy that leverages our scale, brand and capabilities and are confident that we can create value for all our stakeholders and make a positive difference in the lives of all the children attending our services.

Finally, I would like to acknowledge our wonderful team members, senior management and my fellow Board members that bring passion, professionalism and commitment to their roles every day. I wish to express my sincere gratitude and appreciation for their hard work and dedication through some challenging times in the communities we serve. They continue to make a positive difference in the lives of countless children and families across the country.

I look forward to sharing more updates with you at our Annual General Meeting in May 2023.

Yours sincerely,



David Niall
Chairman



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From the CEO

Dear Shareholders,

As the new CEO of Mayfield Childcare Limited, it is my privilege to report to you a successful year for our company and to share with you some of our highlights and accomplishments from the past year.

Despite the unprecedented challenges posed by the COVID-19 pandemic, our team was able to successfully navigate the crisis and continue providing high-quality education and care to our communities. We also made significant steps to enhance our operations, including the sale of one of our Victorian LDC centres, the successful integration of 14 new centres, and the appointment of a National Quality and Compliance manager to drive continuous improvement across the Group.

Quality and compliance remained a key focus area for us and with the appointment of a National Quality and Compliance manager we saw an increase in the number of centres rated either Meeting or Exceeding by the Department of Education. This renewed focus saw the Group achieving a key milestone of receiving its first ever Exceeding rating since 2016, which was pleasantly followed by two further Exceeding ratings in January and March 2023.

Laying the foundations to build an organic growth strategy was an important focus for the second half of the year and we were pleased to appoint a Head of Marketing and Communications to spearhead our brand and marketing strategy going forward.

As part of our organic growth strategy, we are excited today to be announcing our single brand strategy, which we believe will lead to a stronger and more recognisable brand, and enable us to showcase our purpose and values to a wider audience. The Group's current portfolio of 23 brands will be consolidated under a refreshed Mayfield Early Education identity, which will be rolled out across all centres over the next 24 months.

The year was transformational for Mayfield, with 14 new centres and over 400 staff welcomed to the Group. Despite a slow start to the year, positive momentum through the second half of the year resulted in average occupancy for the year of 69% (excluding the divested centre). Overall revenue increased 76% on the previous year resulting in a 68% increase in underlying EBITDA and a 76% increase to underlying NPAT from Continuing Operations. Strong cashflow resulted in a \$4.5M reduction in net debt and an unused loan facility of \$24.2M.

We remained committed to our strategy of pursuing the acquisition of high-quality centres to complement our existing footprint and were pleased to recently announce the acquisition of a centre in Gordonvale, which allowed us to bolster our position in Cairns, Queensland.

Since joining the company in August 2022, I have been inspired by the dedication and commitment of our team to providing the highest quality of education and care to children in our communities. As we look ahead to the future, I am committed to continuing to drive innovation and excellence in our operations, enhancing our control environment to improve governance, and to building on the strong foundation that has been established by our team.

As we continue to grow and evolve as a company, we are deeply grateful for your continued support as shareholders and look forward to executing on our strategy over the next year.

Yours sincerely,



Ashok Naveinthiran
CEO

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Highlights



14

**new centres
integrated**



\$30M

additional revenue



7.14c

**fully franked
full-year dividend**



400+

new staff welcomed



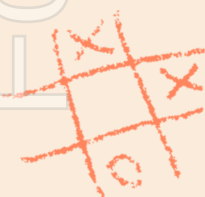
78%

**of centres rated
either Meeting or
Exceeding**



Exceeding

**rating for first time:
Ryan Road, Little
Jazzys, O'Shannessy**



121%

**increase in
statutory NPAT**



Refreshed

brand and identity



New

digital Presence

Our Approach

Our Vision

Where every child reaches their natural potential.

Our Mission

At Mayfield, we are committed to providing a warm, safe, and inviting environment for every child. We tailor programs that reflect each community's unique character and deliver quality education and care that exceeds expectations. Our experienced team is dedicated to nurturing and developing every child's potential while encouraging independence, self-esteem, and a sense of belonging.

Our Philosophy

Our philosophy is based on four pillars.

1 Connected by Community

Every Mayfield centre is grounded in its location, providing warm and inviting spaces that welcome every child. We tailor programs that reflect each community's unique character. Whether it's a warm hello at the morning drop-off, sharing the adventures of the day with the kids, or catching up with educators, Mayfield is at the heart of every child's community. After all, it takes a village.

2 In Safe Hands

The most important thing in any relationship is trust. Mayfield centres deliver on this promise through consistency, reliability, and attention to detail. As a listed company, every action and process is rigorously assessed to ensure a safe, nurturing environment for every child.

3 Quality Education You Can Count On

At Mayfield, we aim to deliver the best quality education, care and governance, exceeding all expectations in everything we do. To achieve this, we are passionate about elevating and developing our experienced team. We want our people to take pride in being a part of Mayfield and to deliver on our promise of quality every day.

4 Home Away From Home

Care is at the heart of everything we do. Through our incredibly experienced team embedded in each community, Mayfield delivers warm and familiar learning environments that make every child feel like they are in a home away from home. We are protective, encouraging, supportive, and helpful. We are motivated by togetherness and inclusiveness, encouraging every child's independence, self-esteem, and sense of belonging. Join the family.



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Our Strategy

At Mayfield our strategy is focused on expanding our existing areas of operation, strengthening our brand identity while maintaining a local community feel, investing in our people and culture, and leveraging innovation to drive operational efficiencies.

By focusing on the following key strategic pillars, we are confident in our ability to deliver sustainable growth, while maintaining our commitment to providing exceptional education and care to children in our communities.

Building a Strong and Inclusive Culture

Our people and culture are at the heart of our success, and we are committed to investing in our employees to create a highly engaged and motivated team. We continue to develop our training and development program, and we offer a range of career advancement opportunities to support our team's professional growth. We are also focused on promoting diversity and inclusion in our workplace, creating a positive and supportive environment for all.



Measured Expansion

Our expansion strategy is centred on growing our footprint in existing areas by pursuing selective acquisitions of high-quality childcare centres that align with our values and standards. This approach allows us to leverage our existing infrastructure and expertise, while also enhancing our ability to deliver exceptional education and care to children in our communities.



Efficiency through Innovation

We leverage innovation and technology to drive operational efficiencies, improve quality, and create a better experience for our children and families. We have invested in technology platforms to streamline administrative tasks, enabling our staff to focus on delivering high-quality education and care to children.



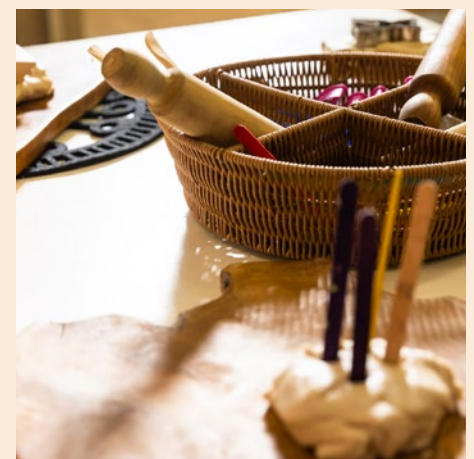
Community-focused Brand Strategy

We are committed to delivering a consistent brand experience across all our centres while still maintaining a strong connection to the local community. Our brand promise is built on providing high-quality early education services that are tailored to the unique needs of each child and family. By leveraging our brand strengths, we aim to increase brand recognition and trust, leading to increased enrolment and customer loyalty.



Sustainable Growth and Impact

We believe in taking a responsible approach to the environment and society. To that end, we are committed to building a sustainable business that creates long-term value for all stakeholders. As part of our Environmental, Social and Governance (ESG) strategy, we have implemented a number of initiatives to reduce our environmental footprint, including the use of renewable energy at many of our centres.



Our Centres

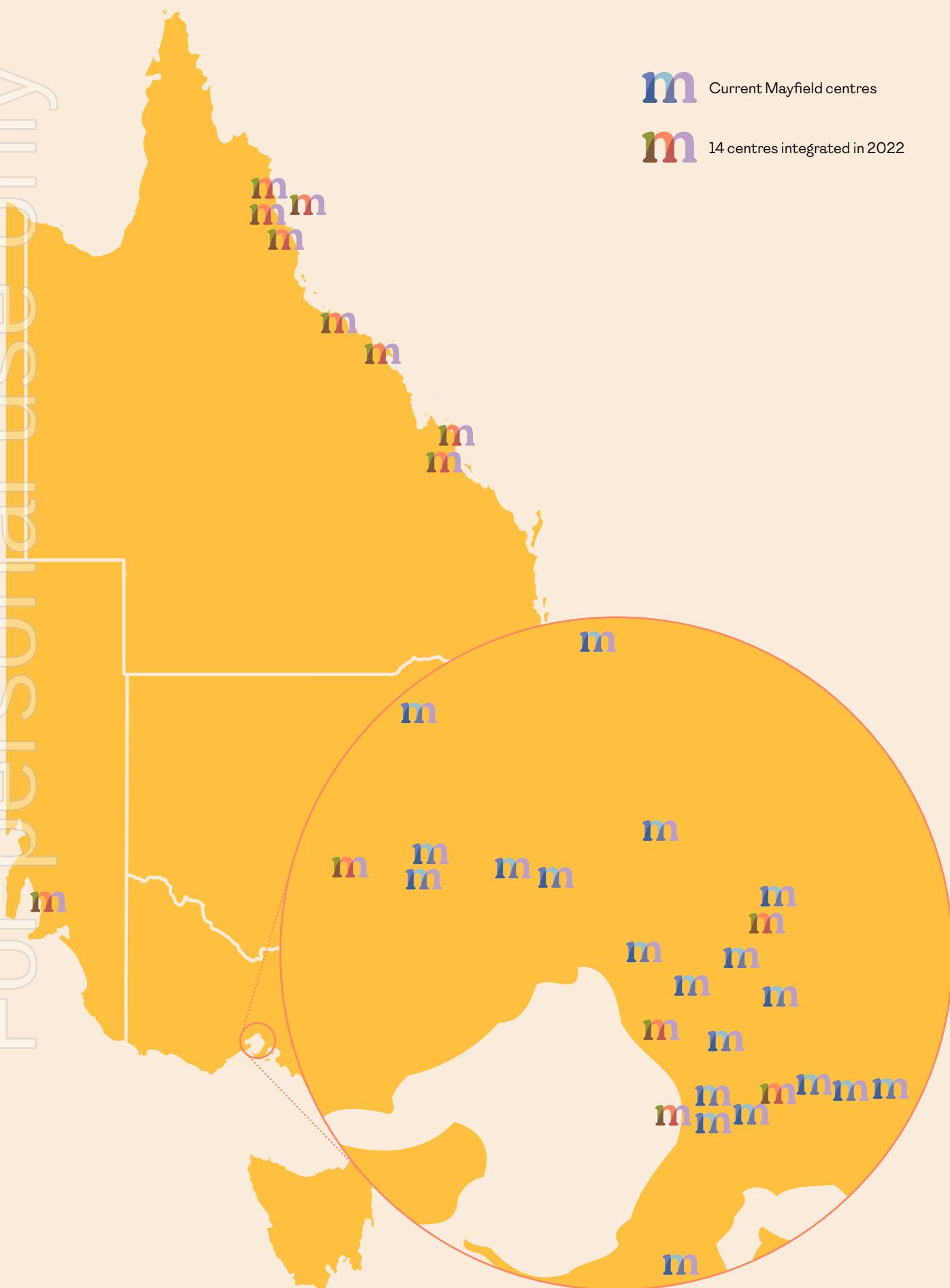


Current Mayfield centres



14 centres integrated in 2022

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Corporate Governance

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

Corporate Directory

Board of Directors

David Niall, Chairman
Ashok Naveinthiran, Executive Director & CEO
Lubna Matta, Non-Executive Director

Company Secretary

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

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne VIC 3008
t +61 1300 554 474
w registrars@linkmarketservices.com.au

Registered Office

Suite 2, Ground Floor
207-213 Waverley Road
Malvern East VIC 3145
t +61 3 9576 3156
e admin@mayfieldchildcare.com.au
w mayfieldchildcare.com.au

Auditor

PKF Melbourne Audit & Assurance Pty Ltd
Level 12, 440 Collins Street
Melbourne VIC 3000

Banker

Westpac Banking Corporation
150 Collins Street
Melbourne VIC 3000

Statutory Accounts

Year ended 31 December 2022

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Directors' Report

The directors present their report on the consolidated entity (referred hereafter as the 'Group') consisting of Mayfield Childcare Limited ('Mayfield' or 'Company') and the entity it controlled during, and at the end of, the year ended 31 December 2022.

Directors

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

- David Niall, Chairman (since 22 August 2022) and Non-Executive Director
- Ashok Naveenthiran, Executive Director & CEO (appointed 22 August 2022)
- Lubna Matta, Non-Executive Director

Peter Lowe was the Chairman and a Non-Executive Director from the start of the reporting period until his resignation on 22 August 2022.

Dean Clarke was an Executive Director and the CEO from the start of the reporting period until his resignation on 22 August 2022.

Michelle Clarke was an Executive Director from the start of the reporting period until her resignation on 22 August 2022.

John Kaminsky was a Non-Executive Director from his appointment on 22 August 2022 to his resignation on 30 March 2023.

Principal activities

During the year the principal activity of the Group consisted of operating long day childcare (LDC) centres located in Victoria, Queensland and South Australia.

Review of operations

Centre operations & compliance

Key activities and highlights during the year:

- Successfully navigated COVID-19 pandemic including the Omicron outbreak in Q1 which had a significant impact on our Queensland centres;
- Sold one Victorian LDC centre in May 2022, reducing the number of licensed LDC places from 3,199 to 3,109 at year-end;
- Successfully integrated the operations of the 14 centres acquired in December 2021, including implementing Mayfield's systems and processes;
- Enhanced focus on quality and compliance and appointed a National Quality and Compliance manager to drive continuous improvement across all centres;
- Received its first ever Exceeding rating in an Assessment and Rating by the Department of Education in November 2022, reflecting the enhanced focus on quality and compliance; and
- Appointment of Facilities Manager and rollout of preventative maintenance program to ensure centre quality is managed efficiently and cost effectively.

Independent forensic investigation

Subsequent to the end of the year, following an internal review of historical supplier payments for the purposes of preparing the Group's 2023 capital expenditure budget, anomalies were uncovered which led to the appointment on 24 January 2023 of KordaMentha to conduct an independent forensic investigation in relation to the period from 1 January 2020 to 31 December 2022.

For further information, please refer to the Matters Subsequent to the End of the Year section of this report, as well as Note 5 Correction of errors and variation from preliminary financial report and Note 22 Related party transactions to the consolidated financial statements for the year ended 31 December 2022.

Financial performance

During the year the Group:

- Paid a 2.00 cents per share, fully franked final dividend for the 2021 calendar year in April 2022 totalling \$1,268,255, comprising:
 - Cash payments totalling \$401,169; and
 - The issue of 774,184 DRP shares at \$1.12 per share;
- Paid a 2.76 cents per share, fully franked interim dividend for the first half of the 2022 calendar year in September 2022 totalling \$1,771,532, comprising:
 - Cash payments totalling \$596,855; and
 - The issue of 1,129,497 DRP shares at \$1.04 per share; and
- Reduced its net debt (borrowings less cash) from \$6.2 million to \$1.7 million.
 - The Group made a statutory net profit after tax (NPAT) for the year of \$4,876,741.

Material risks

Mayfield Childcare identifies and manages risks in accordance with the Group's Risk Management Framework. The Group has, through the application of the Risk Management Framework, identified material strategic, operational and financial risks which could adversely affect achievement of the Group's strategic objectives. We are committed to ensuring that we fully meet our duty of care to the children entrusted to us, and to our wonderful educators and stakeholders, many of whom have been with us since the start of the Mayfield journey in 2016.

Risk	Mitigation
Regulatory Environment Changes to childcare laws and regulations could impact the Group's operations and performance.	– The Group is not aware of any significant upcoming changes to the regulatory environment that would adversely impact its operations. – Changes to the regulatory environment are introduced slowly which allows the Group to adapt as required. As an approved childcare provider, the Department of Education keeps the Company and its National Quality and Compliance Manager apprised of upcoming regulatory changes and conducts regular training. – The CEO ensures that any material regulatory changes are brought to the attention of the Board at the Company's monthly Board meeting.
Government Funding Reductions in Government funding could impact affordability and consequently, demand for childcare.	– Government funding for the industry has bi-partisan support and is recognised as a key factor in driving female workforce participation and bolstering the broader economy. – Government continues to improve affordability by removing rebate caps and increasing rebates.
Compliance Loss of childcare license and approvals would impact ability to continue service offering.	– Regular reviews of policies and procedures and periodic staff training to ensure compliance with regulatory requirements. – Proactive reporting to the Department of Education to meet and exceed its compliance obligations. – Appointed a National Quality and Compliance Manager this year to further enhance its compliance focus.
Financial Loss of access to debt funding could impact growth opportunities.	– Strong banking relationships and access to equity capital markets as an alternate source of funding. – Ability to fund further acquisitions through the issuance of scrip to vendors.
Leasehold Deterioration in leasehold terms could impact underlying business value.	– Long term lease arrangements ensure stability of leasehold terms; weighted average lease term of 22 years for MFD centres and 36 years for Genius centres. – Diversification of landlords across both single property owners and sophisticated institutions.
Competition Increased competition could impact business performance.	– The Early Childhood Education & Care industry is highly fragmented with no single operator able to stifle competition. – Supply growth has slowed significantly due to increased property development costs. – Most markets currently face undersupply. – Barriers to entry increasing with staff shortages and lengthy new centre development cycles.

Management and Staffing

Inability to retain and attract staff could impact business performance and level of activity.

- Offering centre staff career pathways throughout the Group drives retention.
- Geographic positioning allows centres to share staff and rely less on external recruitment to meet demand.
- Centralised head office functions reduce centre level burden and allows further capacity at a centre.
- Group pays above award salaries for critical roles.
- Focus on reward and recognition programs and staff benefits continues to drive overall satisfaction and retention.
- Group utilises referral programs and sign-on incentives to drive talent acquisition.

Margins

Increase to centre expenses, wages and lease costs could compress margins.

- The Group reviews its pricing model annually and has the ability to raise its average daily fees to improve its margins.
- Scale of the Group drives cost efficiencies and ability to compete favourably with smaller operators.
- Almost half of the Group's leaseholds stipulate fixed fee increases p.a. which provides a level of protection in an inflationary environment.
- The Group actively manages its portfolio of centres and divests financially underperforming centres as required.

Acquisition Pipeline

Reduction in quality and quantity of centres available to acquire could slow further revenue growth.

- Incubator Agreement and Childcare Development Plan with Genius Childcare provides the Group with a pipeline of acquisitions.
- The Group actively works with multiple brokers to seek new acquisition opportunities.
- Mayfield is viewed as a preferred tenant by landlords due to its covenant strength. This results in an advantage when competing for acquisitions.

Acquisition Performance

Underperformance of acquisitions could be earnings dilutive.

- New acquisitions are assessed with a bottom-up forecast model which utilises the extensive data on file from the Group's existing centres and prior acquisitions.
- As part of new acquisition due diligence, the Group verifies the integrity of the data provided by vendors using third-party sourced systems.

Non-IFRS financial information¹

After reversing the property leases impact of AASB 16 Leases², Underlying NPAT from Continuing Operations was up \$3,115,736 or 75.8% on the previous corresponding reporting period as follows:

	Statutory Full Year 2022	Reversing AASB 16 Impact	Underlying Full Year 2022	Underlying Full Year 2021 Restated
	\$'000	\$'000	\$'000	\$'000
Revenue	70,481	(32)	70,449	40,062
Labour costs	(38,442)	-	(38,442)	(22,747)
Centre operating expenses	(5,316)	-	(5,316)	(2,293)
Facilities	(2,730)	(8,558)	(11,288)	(5,800)
Centre EBITDA	23,993	(8,590)	15,403	9,222
Head office staff & related costs	(2,188)	-	(2,188)	(1,528)
Other corporate overheads	(1,619)	(146)	(1,765)	(862)
Misappropriated funds	(105)	-	(105)	(67)
EBITDA	20,081	(8,736)	11,345	6,765
Depreciation	(10,050)	8,978	(1,072)	(709)
EBIT	10,031	242	10,273	6,056
Finance costs	(3,468)	3,037	(431)	(354)
Tax	(1,633)	(984)	(2,617)	(1,593)
NPAT from Continuing Operations	4,930	2,295	7,225	4,109
Net loss on disposal of centre	(53)	-	(53)	-
Net acquisition & disposal costs	-	-	-	(1,286)
NPAT	4,877	2,295	7,172	2,823

1. Underlying, NPAT, NPAT from Continuing Operations, Centre EBITDA, EBITDA and EBIT are non-statutory financial concepts and measures which are not prescribed by Australian Accounting Standards (AAS). The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.
2. For an explanation of the impact of AASB 16 Leases refer Note 1. Summary of significant accounting policies on page 26.

After reversing the property leases impact of AASB 16 Leases, underlying Earnings Per Share (EPS) was up 2.88 cents per share or 39.1% as follows:

Underlying EPS	Statutory 2022	Reversing AASB 16	Underlying 2022	Underlying 2021 Restated
	Cents	Cents	Cents	Cents
Basic and diluted earnings per share	7.58	3.57	11.15	8.27
	\$	\$	\$	\$
Earnings used in calculating EPS	4,876,741	2,294,968	7,171,709	2,823,066
Net Profit After Tax (NPAT)				
	Number	Number	Number	Number
Weighted average number of shares	64,295,400	64,295,400	64,295,400	34,127,659

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

Dividends

On 28 February 2023 a final dividend for the year ended 31 December 2022 of 4.38 cents per ordinary share, fully franked, was declared, 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, as the Company is not offering its Dividend Reinvestment Plan (DRP) on this occasion.

Matters subsequent to the end of the year

On 8 February 2023 the Group announced to the market the acquisition of a 75 licensed places childcare centre in Cairns, Queensland, with a purchase price of \$1.07 million, representing a purchase price multiple of 5.0 times forecast CY23 centre EBITDA. As part of this transaction the Group entered into a lease arrangement for the property which is owned by a related party of Genius Education Holdings Pty Ltd, a major shareholder of the Company.

On 1 March 2023 the Group executed a Business Sale Agreement with Genius Learning Pty Ltd ('Genius Learning'), a related party of Genius Education Holdings Pty Ltd, to acquire two childcare centres with a combined total of 140 licensed places for total consideration of \$2.4 million. The Group and the vendor are working through the Conditions Subsequent outlined within the Business Sale Agreement to complete the acquisitions.

On 2 March 2023 Michelle Clarke's consultancy with the Group ended.

On 29 March 2023 the Group announced to the market that it had received KordaMentha's final independent forensic accountant's report ('Report') in relation to the period 1 January 2020 to 31 December 2022 ('Investigation Period').

The Report concluded that, during the Investigation Period:

- Funds totalling \$374,713 (including GST) appear to have been misappropriated from the Group by a former senior employee/director of the Group ('Misappropriated Funds') ('Former Employee'); and
- At the direction of the Former Employee, payments totalling \$810,818 were misallocated over the Investigation Period to deliberately misrepresent earnings, apparently in connection with the Misappropriated Funds ('Misallocated Payments')

The Group is receiving legal advice in relation to recovery of the Misappropriated Funds, including preservation of assets sufficient to compensate the Group for any loss and damage suffered. The Group is satisfied with the recovery options available to it.

The Group will pursue all available claims for any loss and damage suffered by the Group in relation to the Misappropriated Funds and Misallocated Payments, including the cost of the forensic investigation and preparation of the Report, legal costs and interest, however no asset has been recognised in the financial report in relation to any potentially recoverable amounts.

The Group will undertake an internal review of transactions prior to the Investigation Period. If necessary, the Group will provide a further update to the market at the relevant time, however any future financial statements adjustments arising from the future internal review are not expected to be material.

No other matter or circumstance has arisen since 31 December 2022 which has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group expects to continue to execute its business plan, in line with its strategic objectives, which includes both organic growth and the acquisition of additional childcare centres.

Directors' details

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

David Niall

BSc (Hons.) (University of Melbourne); MBA (Harvard Business School); GAICD.

Chairman since 22 August 2022 and Non-Executive Director.

Experience and expertise

David Niall is an experienced executive and company Director. David brings over 30 years of experience in developing and implementing strategy with a focus on growth and value creation. David brings strategic knowledge and skill sets across risk management and governance, people and culture and building successful teams. David has a deep knowledge of high growth and early-stage companies with extensive experience in developing and launching innovative products. David has been responsible for establishing and driving implementation of complex strategic programs across the telecommunications, technology, childcare and management consulting industries. David serves as a non-executive director for ASX listed Rewardle Holdings Limited (ASX: RXH).

Current directorships of other listed companies

Non-Executive Director of Rewardle Holdings Limited (ASX: RXH).

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

22,988 ordinary, fully paid shares.

Ashok Naveinthiran

Bachelor of Commerce (University of Melbourne)

Executive Director and Chief Executive Officer appointed 22 August 2022.

Experience and expertise

Ashok brings deep knowledge and experience in finance, private equity and early education, being a seasoned leader with a proven track record of leading teams and driving business growth. He undertook undergraduate finance and actuarial studies at the University of Melbourne, then initially worked in Equities, Institutional Banking and Capital Advisory for large financial institutions in the UK and Australia, gaining extensive knowledge of corporate finance, market and credit risk.

Before joining Mayfield, Ashok served as the CEO of Genius Childcare, where he managed a portfolio of childcare assets and was instrumental in the transition of the Genius Education portfolio to Mayfield.

Prior to this, Ashok was a Partner at Sprint Capital Partners, where he managed and co-invested in a portfolio of early-stage ventures and led a number of complex projects to successful outcomes.

Ashok is co-founder of Genie Rostering, a specialised childcare platform developed to improve childcare centre rostering efficiency and compliance. Genie Rostering was used in the 14 centres acquired by the Company in December 2021 and is currently used across all Genius Learning centres.

Current directorships of other listed companies

None

Former directorships of other listed companies (last 3 years)

None

Interests in Company shares and options

None

Lubna Matta

Bachelor of Laws (LLB) (Monash University)

Non-Executive Director.

Experience and expertise

Lubna holds a Bachelor of Laws Degree from Monash University. Lubna Matta is currently the owner and founder of UrbanCo IGA, a chain of independently operated supermarkets and has been a member of a number of Metcash Limited Committees as well as the Victorian Retailer State Board. Lubna specialises in developing and growing companies addressing local community needs. She has been pivotal in forging relationships with online logistics organisations to establish on demand grocery needs of consumers which has now been adopted by supermarket chains, large and small. Lubna brings over 15 years experience in legal, corporate advisory and business growth.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

None.

Company Secretary

Andrew Draffin

B.Comm.(Acc.), CA.

Company Secretary.

Experience and expertise

Andrew is a Chartered Accountant with a strong focus on financial reporting, treasury management, management accounting and corporate advisory services. Andrew provides these services to both publicly listed and private companies, covering a broad range of industries. He has gained experience in capital markets at both primary and secondary levels over his more than 25-year career.

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

Significant changes in the state of affairs

Other than the changes to the composition of the Board, the change of Chief Executive Officer and the integration of the 14 centres acquired in December 2021 and their providing a full 12 month contribution to the annual result for the first time, along with those matters noted in the Review of Operations (above), in the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the year not otherwise disclosed in this report or in the accompanying financial statements.

Directors' meetings

The number of meetings of the Board of Directors of Mayfield Childcare Limited, held during the year ended 31 December 2022, were as follows:

Name of director	Full meetings of directors	
	A	B
Current directors		
David Niall	17	17
Ashok Naveinthiran (22/8/2022 – 31/12/2022)	11	11
Lubna Matta	17	17
Former directors		
Peter Lowe (1/1/2022 – 22/8/2022)	6	6
Dean Clarke (1/1/2022 – 22/8/2022)	6	6
Michelle Clarke (1/1/2022 – 22/8/2022)	6	6
John Kaminsky (22/8/2022 – 31/12/2022)	11	11

A: Number of meetings attended.

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

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

Remuneration report

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

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

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

Non-Executive Directors

The fees paid to non-executive directors, including the Chairman, reflect the demands which are made on, and the responsibilities of, the directors. Directors' remuneration consists of an annual fee plus statutory superannuation. Directors are also entitled to reimbursement of reasonable expenses incurred on Group business. Whilst directors do not receive additional 'per meeting' fees, they may be paid for additional hours worked over and above their contracted obligations.

The current annual fees for the Company's non-executive directors, including statutory superannuation, are:

Director	Director's Fee	Comment
David Niall	\$80,731 p.a.	Chairman of the Board
Lubna Matta	\$40,684 p.a.	Non-executive director

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

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

Executive Directors (excluding the Chief Executive Officer)

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

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

With the resignation of Michelle Clarke on 22 August 2022 there are no executive directors, other than the Chief Executive Officer, at the date of this report.

Executive Director (Chief Executive Officer) and other KMP Executives

The Group enters into individual employment agreements with each of its executives, including the Chief Executive Officer (CEO). For the year ended 31 December 2022, contracted executive pay was comprised of cash salary, superannuation and non-monetary benefits – there was no 'at risk' component of remuneration. Each executive's annual remuneration is based upon market rates for that person's role and responsibilities within the Group as determined by the Board.

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

Please refer to section B. Remuneration details below for further executive KMP remuneration information.

Employee Share and Option Plan (ESOP)

The Company has adopted an Employee Share and Option Plan (ESOP) that would encourage executives and employees to have greater involvement in the achievement of the Group's objectives. Under the ESOP, eligible employees (including executives, officers, employees and executive directors) selected by the Board may be offered shares or granted options or rights. For the year ended 31 December 2022 and to the date of this report, no shares, options or rights have been granted, nor have any been offered.

B. Remuneration details

The KMP of the Group during the year ended 31 December 2022 consisted of the directors (see pages 8 to 9 above) and the Chief Financial Officer (CFO). Details of the remuneration of the KMP of the Company are as follows:

	Short-term benefits	Short-term benefits	Short-term benefits	Post- employment benefits		
	Cash salary & fees	Non- monetary benefits	Cash bonus	Super- annuation	Termination benefits	Total
Name	\$	\$	\$	\$	\$	\$
Non-Executive Directors						
David Niall	52,050	-	-	5,362	-	57,412
Lubna Matta	38,996	-	-	3,992	-	42,988
Executive Director						
Ashok Naveinthiran (22/8/2022 – 31/12/2022)	72,821	-	-	7,646	-	80,467
Former Directors						
Peter Lowe (1/1/2022 – 22/8/2022)	52,359	-	-	1,279	-	53,638
Dean Clarke ¹	189,153	17,636	-	43,179	125,946	375,914
Michelle Clarke ²	144,563	-	-	2,487	-	147,050
John Kaminsky (22/8/2022 – 31/12/2022)	13,262	-	-	1,393	-	14,655
Other KMP						
Glenn Raines, CFO	175,473	-	10,000	26,864	-	212,337
Total	738,677	17,636	10,000	92,202	125,946	984,461

1. Dean Clarke ceased being a director on 22/8/2022 however his full year remuneration has been included in the above table on the basis that his modified services continued to be required until his resignation as an employee on 31 December 2022.
2. Michelle Clarke's 'Cash salary & fees' includes \$120,000 (2021: \$120,000) for her executive role of Quality & Integration Officer, formalised via a written consultancy agreement.

Whilst all KMP contracted remuneration for the year ended 31 December 2022 was fixed, with no performance-based, 'at risk' component, the Board awarded the CFO a cash bonus of \$10,000 plus statutory superannuation to reward his performance for the year ended 31 December 2022.

2021 Restated	Short-term benefits	Short-term benefits	Short-term benefits	Post-employment benefits	Total
	Cash salary & fees \$	Non-monetary benefits \$	Cash bonus \$	Super-annuation \$	
Name					
Non-Executive Directors					
Peter Lowe, Chairman	78,356	-	-	1,827	80,183
Lubna Matta (10/12/2021-31/12/2021)	2,177	-	-	218	2,395
David Niall (10/12/2021-31/12/2021)	2,177	-	-	218	2,395
Executive Directors					
Dean Clarke, CEO ¹	183,294	13,989	-	31,041	228,324
Michelle Clarke, Quality Improvement Advisor	156,530	-	-	3,561	160,091
Other KMP					
Glenn Raines, CFO	168,781	-	15,000	24,602	208,383
Total	591,315	13,989	15,000	61,467	681,771

1. Dean Clarke's remuneration has been restated to include non-monetary benefits, being the Group-paid operating costs of the private motor vehicle he used whilst undertaking Group business.

C. Service agreements

Remuneration and other terms of employment for KMP are formalised in written agreements, the major provisions of which are as follows as at 31 December 2022:

Ashok Naveinthiran, Chief Executive Officer

- Employment contract: Permanent ongoing
- Commencement date: 22 August 2022
- Remuneration: \$200,000 p.a. plus statutory superannuation, reviewable annually (initial review due 30 June 2023)
- Executive's (and Group's) notice period: 6 months¹

Glenn Raines, Chief Financial Officer

- Employment contract: Permanent ongoing
- Commencement date: 28 November 2016
- Remuneration: \$195,000 p.a. plus statutory superannuation, reviewable annually (next review due 1 January 2024)
- Executive's (and Group's) notice period: 3 months¹

1. The Group has the option of paying out the employees' notice periods, either fully or in part.

In the event of fraud or other serious misconduct the Group may terminate KMP employment agreements at any time without notice or payment in lieu of notice, and it reserves the right to attempt to recover any termination payments made prior to the discovery of such conduct.

D. Share-based compensation

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

E. Additional information

The number of ordinary shares in the Company held by KMP during the year ended 31 December 2022, including their personally related parties, is set out below:

Name	Balance at the start of the year	Dividend Reinvestment Plan	Other ¹	Balance at the end of the year
Directors				
David Niall	22,000	393	-	22,393
Ashok Naveinthiran (22/8/2022 – 31/12/2022)	-	-	-	-
Lubna Matta	-	-	-	-
Former directors				
Peter Lowe (1/1/2022 – 22/8/2022)	361,273	2,880	(364,153)	-
Dean & Michelle Clarke ² (1/1/2022 – 22/8/2022)	3,620,682	64,657	(3,685,339)	-
John Kaminsky (22/8/2022 – 31/12/2022)	-	-	150,264	150,264
Other KMP				
Glenn Raines	193,571	-	-	193,571
	4,197,526	67,930	(3,899,228)	366,228

1. No shares were received by KMP as remuneration during the year ended 31 December 2022.

2. Neither Dean Clarke nor Michelle Clarke were KMP as at 31 December 2022 therefore, by definition, neither of them are deemed to hold any shares of the Company as KMP.

————— This concludes the audited Remuneration Report —————

Loans to directors & executives

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

Shares under option

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

Shares issued on the exercise of options

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

Environmental regulation

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

Proceedings on behalf of the group

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

Insurance of officers and indemnification of auditor

During the year ended 31 December 2022, Mayfield Childcare Limited insured its directors and secretary, other KMP and officers of the Group.

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

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

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The Group has not during or since the financial year agreed to indemnify the auditor of the Group, or any related entity of the auditor, against a liability incurred by the auditor relating to the conduct of the audit.

Non-audit services

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

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

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

	2022 \$	2021 \$
Non-audit services		
Preparation of income tax returns and related matters	38,950	20,950
Independent Expert's Report	-	65,000
Total fees for non-audit services	38,950	85,950

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 16.

Auditor

PKF Melbourne Audit & Assurance Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



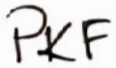
David Niall
Chairman

Melbourne
13 April 2023

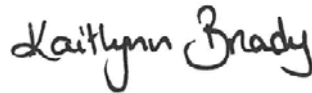
**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mayfield
Childcare Limited**

In relation to our audit of the financial report of Mayfield Childcare Limited for the year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.



PKF
Melbourne, 13 April 2023



Kaitlynn Brady
Partner

Financial Report

For the year ended 31 December 2022

Financial Report

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These financial statements are the consolidated financial statements of the consolidated entity (referred hereafter as the 'Group') consisting of Mayfield Childcare Limited ('Mayfield' or 'Company') and its subsidiary.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Mayfield Childcare Limited is a public company limited by shares, incorporated and domiciled in Australia, and listed on the Australian Securities Exchange (ASX) since 30 November 2016. Its registered office and principal place of business is:

Suite 2, Ground Floor
207-213 Waverley Road
Malvern East VIC 3145

A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 13 April 2023. The directors have the power to amend and to reissue the financial report.

A copy of this financial report may be obtained from the websites of either the ASX ([asx.com.au](https://www.asx.com.au)) or Mayfield Childcare Limited ([mayfieldchildcare.com.au](https://www.mayfieldchildcare.com.au)).

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	2022 \$	2021 Restated \$
Revenue	6	70,481,287	40,062,379
Net loss on disposal of centre		(53,591)	-
Employee costs	7	(40,629,613)	(24,275,378)
Centre operations costs	7	(5,316,055)	(2,292,503)
Facilities costs		(2,729,748)	(1,291,646)
Administration costs		(1,618,731)	(862,496)
Misappropriated funds		(105,019)	(66,761)
Acquisition costs		-	(1,286,498)
Depreciation and amortisation of plant and equipment	10	(1,072,298)	(691,615)
Depreciation charge on right-of-use assets	15(c)	(8,978,310)	(4,400,658)
Finance costs		(3,468,426)	(1,360,319)
Profit before income tax		6,509,496	3,534,505
Income tax expense	8	(1,632,755)	(1,328,434)
Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited		4,876,741	2,206,071
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited		4,876,741	2,206,071
	Note	Cents	Cents Restated
Basic and diluted earnings per share	26	7.58	6.46

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

Consolidated statement of financial position as at 31 December 2022

	Note	31 December 2022 \$	31 December 2021 Restated* \$	1 January 2021 Restated* \$
Assets				
Current assets				
Cash and cash equivalents		2,656,793	2,265,096	1,569,464
Trade and other receivables	9	3,980,931	2,052,723	1,034,217
Prepayments		596,983	914,065	939,167
Total current assets		7,234,707	5,231,884	3,542,848
Non-current assets				
Plant and equipment	10	3,856,989	3,808,838	2,558,724
Intangibles	11	74,110,630	82,611,833	39,638,275
Right-of-use assets	15(c)	131,410,100	133,539,678	25,409,674
Deferred tax	12	2,607,662	1,611,186	923,941
Total non-current assets		211,985,381	221,571,535	68,530,614
Total assets		219,220,088	226,803,419	72,073,462
Liabilities				
Current liabilities				
Trade and other payables	13	4,729,031	3,708,072	1,323,465
Contract liabilities		812,450	875,662	907,917
Borrowings	14	-	409,081	1,599,000
Lease liabilities	15(d)	6,353,786	6,321,503	3,441,626
Current tax liabilities		367,931	678,658	1,000,189
Provisions	16	2,433,596	2,606,566	1,682,373
Total current liabilities		14,696,794	14,599,542	9,954,570
Non-current liabilities				
Borrowings	14	4,326,600	8,076,600	8,297,400
Lease liabilities	15(d)	130,411,873	129,274,190	23,159,028
Provisions	16	106,135	9,160,435	106,206
Total non-current liabilities		134,844,608	146,511,225	31,562,634
Total liabilities		149,541,402	161,110,767	41,517,204
Net assets		69,678,686	65,692,652	30,556,258
Equity				
Contributed equity	17(b)	60,618,740	58,469,660	24,100,720
Retained earnings		9,059,946	7,222,992	6,455,538
Total equity		69,678,686	65,692,652	30,556,258

* Refer Note 5

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 (as previously reported)	24,100,720	6,003,215	30,103,935
Correction of prior period errors	-	452,323	452,323
Balance as at 1 January 2021 (restated)	24,100,720	6,455,538	30,556,258
Profit after income tax expense for the year (as previously reported)	-	2,571,327	2,571,327
Correction of errors	-	(365,256)	(356,256)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year (restated)	-	2,206,071	2,206,071
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity, net of transaction costs (Note 17(b))	34,368,940	-	34,368,940
Dividend paid		(1,438,617)	(1,438,617)
Balance as at 31 December 2021 (restated)	58,469,660	7,222,992	65,692,652
2022			
Profit after income tax expense for the year	-	4,876,741	4,876,741
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	4,876,741	4,876,741
<i>Transactions with owners in their capacity as owners</i>			
Contributions of equity, net of transaction costs (Note 17(b))	2,149,080	-	2,149,080
Dividends paid		(3,039,787)	(3,039,787)
Balance as at 31 December 2022	60,618,740	9,059,946	69,678,686

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022 \$	2021 Restated \$
Cash flows from operating activities			
Receipts from customers, including government funding		68,455,376	39,669,518
Payments to suppliers and employees		(50,280,069)	(26,836,248)
		18,175,307	12,833,270
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)
Misappropriated funds		(105,019)	(66,761)
Net cash inflow from operating activities	24	12,360,692	9,861,325
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		(1,291,852)	(1,080,140)
Payments for purchases of businesses plus associated costs		(62,658)	(10,568,304)
Centre closure costs		-	(45,922)
Net cash outflow from investing activities		(1,093,813)	(11,694,366)
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 consolidated statement of financial position should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The financial statements are for the consolidated entity ('Group') consisting of Mayfield Childcare Limited ('Mayfield', 'Company') and its subsidiary.

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

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Going concern

Current liabilities exceed current assets at reporting date by \$7.5 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 at least 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 (refer Note 14 for further details) 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 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 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 Group 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 Group's reported financial performance or its financial position.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 1. Summary of Significant Accounting Policies (Continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Mayfield Childcare Limited ('Company' or 'Parent') as at 31 December 2022 and the results of its subsidiary for the year then ended. Mayfield Childcare Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date upon which control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(c) below).

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

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

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

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

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

(d) Revenue recognition

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

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 1. Summary of Significant Accounting Policies (Continued)

(d) Revenue recognition (continued)

A. Contracts with customers

Contract balances

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

With the exception of the timing of the reporting period end in relation to the weekly customer billing cycle, there is usually no significant change in the balance of contract liabilities from one reporting period to the next. Acquisitions of childcare centres will increase the balance whilst, conversely, disposals of childcare centres will reduce the balance, however such changes are not normally material within the context of the overall balance.

Performance obligations

Provision of childcare services

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

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

Kinder and Inclusion Support funding and other grants

Grants from the Commonwealth, State or Local Governments are recognised as revenue once the amount of the grant can be reliably measured and all performance obligations, including compliance with the associated grant terms and conditions, have been fully performed. The various Federal Government COVID-19 Industry Support Packages, encompassing the Relief Package, Transition Payment, Recovery Payment and Viability Support Payment grants, each came with varying obligations, with the latter three grants obliging the Group to not increase prices for the duration of the grants, along with other grant specific conditions.

Transaction price allocated to the remaining performance obligations

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

B. Significant judgements in applying the standard

Determining the transaction price and the amounts allocated to performance obligations

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

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

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 1. Summary of significant accounting policies (continued)

(e) Income tax

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

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

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

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

Mayfield Childcare Limited and its wholly owned subsidiary have elected to be a tax consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in the profit or loss statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Cash and cash equivalents

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

(g) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days, and predominantly within 7 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

The Group applies the AASB 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables. The expected loss rates are based on the payment profiles of sales (predominantly the provision of childcare services) to reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors expected to potentially affect the ability of customers to settle the receivables. Other receivables are recognised at amortised cost, less any provision for impairment.

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives, being 4 to 10 years.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 1. Summary of significant accounting policies (continued)

(i) Intangible assets

Goodwill

Goodwill is recognised and measured as described in Note 1(c) above. Goodwill is not amortised but is tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

(j) Impairment of assets

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

(k) Trade and other payables

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

(l) Leases

The Group, as lessee, is required to recognise its leases in the statement of financial position. The only exceptions are short-term (less than 12 months) leases and leases of low-value assets. The lease liability is measured as the present value of the unavoidable future lease payments to be made over the lease term (refer Note 15(d)). The Group elected to adopt the modified retrospective approach (with the application of practical expedients), which equates the 'right-of-use' asset (ROUA) with the value of the lease liability, therefore there was no requirement to restate either retained earnings or prior period comparatives upon adoption.

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

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

In calculating the value of each property lease liability, future lease payments include known fixed percentage increases but exclude variable consumer price index (CPI) increases, as estimations of future increases are prohibited by the standard (CPI lease payment increases are taken into account via a re-measurement of the lease liability as and when the increase occurs). The net present value of the unavoidable future lease payments are discounted using the Group's incremental borrowing rate, as none of the property leases have an implicit interest rate. For the purpose of calculating unavoidable future lease payments, only the current term of each property lease has been considered, unless the option to exercise the next further term falls within 3 years of reporting date, in which case exercise of the next further term is considered to be reasonably certain, thus both the current and subsequent further term lease payments are considered to be unavoidable.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 1. Summary of significant accounting policies (continued)

(m) Borrowings

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

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

(n) Finance costs

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

(o) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

(p) Contributed equity

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

(q) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 2. Financial risk management

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

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

The Group holds the following financial instruments:

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Financial assets			
Cash and cash equivalents		2,656,793	2,265,096
Trade and other receivables	9	3,980,931	2,052,723
		6,637,724	4,317,819
Financial liabilities			
Trade and other payables	13	4,729,031	3,708,072
Borrowings	14	4,326,600	8,485,681
Lease liabilities	15(d)	136,765,659	135,595,693
		145,821,290	147,789,446

(a) Market Risk

Foreign exchange risk

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

Price risk

The Group is not exposed to any material price risk.

Interest rate risk

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

At 31 December 2022 the interest rates on the Group's loan facilities were as follows:

- \$14,019,000 facility at 0.75% line fee plus 5.0463% variable on \$3,826,600 drawn; and
- \$14,072,000 facility at 0.75% plus 5.0319% variable on \$500,000 drawn.

Including the line fee of 0.75% p.a. on the full amount of each facility, the average interest rate for the year was 3.90% (2021: 2.68%).

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

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 2. Financial risk management (continued)

(b) Credit Risk

The Group is exposed to credit risk arising from the potential of a counterparty to fail to fulfil their financial obligations, thereby exposing the Group to financial loss. Throughout the year ended 31 December 2022 the Group's exposure to credit risk lay predominantly with its trade receivables. The Group utilises a three-tiered approach to managing its trade receivables: firstly, at the centre manager level, then, at the area manager level and, finally, at the corporate executive level. Despite the relatively small individual trade receivable balances, the Group uses an external debt collection agency on a 'no collect-no fee' basis in certain circumstances.

At 31 December 2022 the maximum exposure to credit risk of recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

(c) Liquidity Risk

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

Financing arrangements

Unused borrowing facilities are as follows:

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Westpac Banking Corporation			
Variable rate loan/s (available for working capital requirements)		10,192,400	6,642,400
Variable rate loan (available only for centre acquisitions, subject to meeting lending criteria)		14,072,000	15,300,000
	14	24,264,400	21,942,400

Maturity of Financial Liabilities (excluding Leases)

The following table analyses the Group's financial liabilities, excluding leases (refer Note 15(d)), into relevant maturity groupings, based on their contractual maturities – they are not expected to occur significantly earlier than as contracted at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

31 December 2022	Within 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
Trade and other payables	4,729,031	–	–	4,729,031	4,729,031
Borrowings	417,967	385,837	4,536,834	5,340,638	4,326,600
Total financial liabilities (excluding Lease liabilities)	5,146,998	385,837	4,536,834	10,069,679	9,055,631
31 December 2021	Within 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
Trade and other payables	3,708,072	–	–	3,708,072	3,708,072
Borrowings	682,370	257,739	8,452,476	9,392,585	8,485,681
Total financial liabilities (excluding Lease liabilities)	4,390,442	257,739	8,452,476	13,100,657	12,193,753

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 3. Critical accounting judgements, estimates and assumptions

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

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether or not goodwill has suffered an impairment, in accordance with the accounting policy stated in Note 1 above. The recoverable amounts of cash-generating units (CGU's) are determined based on value-in-use calculations, which require the use of assumptions, including estimated discount rates, based on the current cost of capital, and the growth rates of the estimated future cash flows (Note 11).

Each childcare centre is an identifiable operation within a single CGU. Therefore, when a childcare centre is disposed, the goodwill associated with that centre must be included in the carrying amount of the disposed operation for the purpose of determining the loss or gain on disposal. The goodwill is measured on the basis of the relative values of the operation disposed and the portion of the CGU retained, which means maintaining forecast discounted cash flow (DCF) calculations to support each centre's contribution to the value in use of the Group's single CGU, as represented by the resultant net present value (NPV). However, when a centre is in a loss-making position, its NPV is negative, meaning that it is making no contribution to goodwill. This requires management to exercise judgement in determining the amount of goodwill to be disposed based upon the size (in terms of the number of licensed places) of the loss-making centre.

Property Leases

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

- **Non-cancellable lease term:** The Group has exercised judgement in determining that unavoidable future lease payments include only the current lease term, unless the option to exercise the next further term falls within 3 years of reporting date, in which case exercise of the next further term is considered to be reasonably certain, thus both the current and subsequent further term lease payments are considered to be unavoidable.
- **Incremental borrowing rate:** The Group has exercised judgement in estimating the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to each right-of-use asset in a similar economic environment.

Recovery of deferred tax assets

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

Note 4. 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 consolidated financial statements for the year ended 31 December 2022

Note 5. Correction of errors and variation from preliminary financial report

Subsequent to the end of 2022, the Group discovered that, over the period 1 January 2020 to 31 December 2022, funds totalling \$374,713 (including GST) appeared to have been misappropriated by a former senior employee/director and that, at their direction, payments totalling \$810,818 had been misallocated to deliberately misrepresent earnings. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

2020

During the year ended 31 December 2020 invoices from suppliers totalling \$670,579, being in nature prepayments for goods and services to be received in 2021, were incorrectly expensed. Additionally, funds totalling \$168,867 were apparently misappropriated via unauthorised payments to suppliers for goods and/or services not for the benefit of the Group. The misappropriated funds have been reclassified appropriately within the financial statement line items below.

	As previously reported \$	Adjustments \$	Restated \$
Consolidated statement of financial performance			
For the year ended 31 December 2020			
Centre operations costs	(2,132,988)	633,286	(1,499,702)
Administration costs	(905,749)	206,160	(699,589)
Misappropriated funds	-	(168,867)	(168,867)
All other items	7,973,844	-	7,973,844
Profit before income tax	4,935,107	670,579	5,605,686
Income tax expense	(1,196,388)	(218,256)	(1,414,644)
Profit after income tax	3,738,719	452,323	4,191,042
Total comprehensive income	3,738,719	452,323	4,191,042
	Cents	Cents	Cents
Basic and diluted earnings per share	11.72	1.42	13.14

The net impact of the above transactions on the Group's consolidated financial position was as follows:

	As previously reported \$	Adjustments \$	Restated \$
Consolidated statement of financial position			
As at 1 January 2021			
Prepayments (current)	268,588	670,579	939,167
All other assets	71,134,295	-	71,134,295
Total assets	71,402,883	670,579	72,073,462
Current tax liabilities	781,933	218,256	1,000,189
All other liabilities	40,517,015	-	40,517,015
Total liabilities	41,298,948	218,256	41,517,204
Retained earnings	6,003,215	452,323	6,455,538
Contributed equity	24,100,720	-	24,100,720
Total equity	30,103,935	452,323	30,556,258

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 5. Correction of errors and variation from preliminary financial report (continued)

2021

During the year ended 31 December 2021 invoices from suppliers totalling \$140,239, being in nature prepayments for goods and services to be received in 2022, were incorrectly expensed. Additionally, funds totalling \$66,761 were apparently misappropriated via unauthorised payments to suppliers for goods and/or services not for the benefit of the Group. The misappropriated funds have been reclassified appropriately within the financial statement line items below.

	As previously reported \$	Adjustments \$	Restated \$
Consolidated statement of financial performance			
For the year ended 31 December 2021			
Centre operations costs	(1,918,584)	(373,919)	(2,292,503)
Administration costs	(821,496)	(41,000)	(862,496)
Misappropriated funds	–	(66,761)	(66,761)
Depreciation and amortisation of plant and equipment	(692,144)	529	(691,615)
All other items	7,447,880	–	7,447,880
Profit before income tax	4,015,656	(481,151)	3,534,505
Income tax expense	(1,444,329)	115,895	(1,328,434)
Profit after income tax	2,571,327	(365,256)	2,206,071
Total comprehensive income	2,571,327	(365,256)	2,206,071
	Cents	Cents	Cents
Basic and diluted earnings per share	7.53	(1.07)	6.46

The cumulative net impact of the above transactions on the Group's consolidated financial position was as follows:

	As previously reported \$	Adjustments \$	Restated \$
Consolidated statement of financial position			
As at 1 January 2021			
Prepayments (current)	773,826	140,239	914,065
Plant and equipment	3,759,649	49,189	3,808,838
All other assets	222,080,516	–	222,080,516
Total assets	226,613,991	189,428	226,803,419
Current tax liabilities	576,297	102,361	678,658
All other liabilities	160,432,109	–	160,432,109
Total liabilities	161,008,406	102,361	161,110,767
Retained earnings	7,135,925	87,067	7,222,992
Contributed equity	58,469,660	–	58,469,660
Total equity	65,605,585	87,067	65,692,652

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 5. Correction of errors and variation from preliminary financial report (continued)

2022

During the year ended 31 December 2022 funds totalling \$105,019 were apparently misappropriated via unauthorised payments to suppliers for goods and/or services not for the benefit of the Group. The misappropriated funds have been reclassified appropriately within the financial statement line items below.

Consolidated statement of financial performance	Preliminary report \$	Adjustments \$	Final report \$
For the year ended 31 December 2022			
Centre operations costs	(5,264,755)	(51,300)	(5,316,055)
Administration costs	(1,571,131)	(47,600)	(1,618,731)
Misappropriated funds	–	(105,019)	(105,019)
Depreciation and amortisation of plant and equipment	(1,079,761)	7,463	(1,072,298)
All other items	14,621,599	–	14,621,599
Profit before income tax	6,705,952	(196,456)	6,509,496
Income tax expense	(1,643,321)	10,566	(1,632,755)
Profit after income tax	5,062,631	(185,890)	4,876,741
Total comprehensive income	5,062,631	(185,890)	4,876,741
	Cents	Cents	Cents
Basic and diluted earnings per share	7.87	(0.29)	7.58

The cumulative net impact of the above transactions on the Group's consolidated financial position was as follows:

Consolidated statement of financial position	Preliminary report \$	Adjustments \$	Final report \$
As at 31 December 2022			
Plant and equipment	3,864,017	(7,028)	3,856,989
All other assets	215,363,099	–	215,363,099
Total assets	219,227,116	(7,028)	219,220,088
Current tax liabilities	276,136	91,795	367,931
All other liabilities	149,173,471	–	149,173,471
Total liabilities	149,449,607	91,795	149,541,402
Retained earnings	9,158,769	(98,823)	9,059,946
Contributed equity	60,618,740	–	60,618,740
Total equity	69,777,509	(98,823)	69,678,686

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 6. Revenue

	2022 \$	2021 \$
<i>Revenue from contracts with customers</i>		
Childcare services	68,978,712	39,734,148
<i>Other income</i>		
Other income	1,469,882	328,231
Gain on disposal of property lease	32,693	-
	70,481,287	40,062,379
<i>Other income</i>		
<i>Other income includes:</i>		
Business interruption insurance claim income	1,365,012	265,734

Note 7. Expenses

	2022 \$	2021 \$
<i>Profit before income tax includes the following specific expenses</i>		
<i>Employees</i>		
Defined contribution superannuation expense	3,446,183	1,935,164
<i>Centre operations</i>		
Impairment charge on trade receivables (Note 9)	135,627	-

Note 8. Income tax expense

	2022 \$	2021 Restated \$
Aggregate income tax expense	1,632,755	1,328,434
<i>Deferred income tax</i>		
Increase in deferred tax assets (Note 12)	(996,476)	(687,245)
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit before income tax	6,509,496	3,534,505
Tax expense at the statutory rate of 30.0%	(1,952,849)	(1,060,352)
<i>Tax effect of amounts which are not taxable/(taxable) in calculating taxable income</i>		
Prior year refund due to change of tax rate	305,637	-
Share issue costs	40,717	42,205
Non-deductible revenue/(expenses)	(19,239)	(66,473)
Prior period adjustment	(7,021)	
Change of tax rate on carried forward deferred tax asset	-	142,145
Acquisition costs	-	(385,949)
Income tax expense	(1,632,755)	(1,328,424)
Weighted average tax rate	25.1%	37.6%

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 9. Current assets – Trade and other receivables

	2022 \$	2021 \$
Trade receivables	2,034,722	1,853,146
Less: Provision for impairment of trade receivables	(269,707)	(134,080)
	1,765,015	1,719,066
GST receivable (net)	254,053	226,974
Other receivables	1,961,863	106,683
	3,980,931	2,052,723

Impaired trade receivables

Trade receivables were assessed for impairment as at reporting date. The allowance for expected credit losses recognised during the year was \$135,627 (2021: \$Nil). Movements in the allowance for expected credit losses of trade receivables are as follows:

Opening balance	134,080	134,080
Allowance for impairment recognised during the year (Note 7)	135,627	-
Closing balance	269,707	134,080

Past due but not impaired

As at reporting date, customers with balances more than 30 days overdue but assessed as not being impaired totalled \$192,557 (2021: \$46,106). These relate to a number of customers for whom there is no recent history of default and for which full payment is expected. The ageing analysis of these trade receivables is as follows:

Up to 3 months	110,917	30,194
3 to 6 months	47,877	10,064
More than 6 months	33,763	5,848
	192,557	46,106

Other receivables

Other receivables include:

Unsecured loan to major shareholder (Note 22)	1,303,088	110,125
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Notes to the consolidated financial statements for the year ended 31 December 2022

Note 10. Non-current assets – Plant and equipment

	2022 \$	2021 Restated \$
Plant and equipment		
Plant and equipment – at cost	6,656,104	5,537,025
Less: Accumulated depreciation	(2,799,115)	(1,728,187)
Net book amount	3,856,989	3,808,838
Reconciliation		
Opening net book amount at beginning of year	3,808,838	2,558,724
Additions	1,393,531	1,080,139
Transfer in from Leases – Motor Vehicles (Note 15(c))	21,016	-
Adjustments from finalised prior period business combinations (Note 18)	3,363	-
Net additions through business combinations (Note 18)	-	870,903
Disposals	(195,781)	(9,313)
Derecognised upon identification of misappropriated funds	(101,680)	-
Depreciation expense	(1,072,298)	(691,615)
Closing net book amount at end of year	3,856,989	3,808,838

Note 11. Non-current assets – Intangibles

	2022 \$	2021 \$
Goodwill – at cost	74,110,630	82,611,833
Reconciliation		
Balance at beginning of year	82,611,833	39,638,275
Additional purchase consideration adjustments (Notes 16 & 18)	(8,400,000)	-
Disposal of centre	(100,490)	-
Adjustments from finalised prior period business combinations (Note 18)	(713)	-
Additions through business combinations	-	42,973,558
Balance at end of year	74,110,630	82,611,833

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 consolidated financial statements for the year ended 31 December 2022

Note 11. Non-current assets – Intangibles (continued)

Goodwill impairment testing

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

Key assumptions and sensitivity analysis

The calculation of value-in-use is most sensitive to the following assumptions:

- Revenue growth in the forecast period of 4.0% (Dec 2021: 3.5%);
- Employee expenses growth of 3.75% (Dec 2021: 3.0%);
- All other expenses growth of 3.5% (Dec 2021: 2.0%);
- Discount rate (pre-tax) of 16.0% (Dec 2021: 15.75%); and
- Terminal growth rate of 2.25% (Dec 2021: 2.5%), which does not exceed the long-term average growth rate for the business.

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

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

The directors have considered the sensitivity of the impairment assessments to a reasonably possible change in the above key assumptions. Holding all other parameters constant, the following sensitivities would likely result in an impairment when viewed in isolation:

- Revenue growth of less than 3.3% p.a. over the next 5 years, with long term growth steady at 2.25% p.a. beyond that
- Annual employee expenses growth of more than 4.9% p.a.
- Discount rate (pre-tax) increased to more than 18%.

In relation to the acquisition of the 14 childcare centres in December 2021, 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 acquisition date to account for settlement adjustments relating to employee entitlement obligations assumed upon acquisition in its impairment review, the Board has concluded that no impairment is required to the carrying amount of goodwill at 31 December 2022.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 12. Non-current assets – Deferred tax

	2022 \$	2021 \$
Deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property Leases	1,606,668	623,110
Employee benefits and other expenses	1,000,898	931,889
Share issue costs	122,416	1,200
Impairment of receivables	80,912	40,224
Audit fee accruals	39,000	18,900
Deferred revenue	34,873	69,747
Borrowing costs	(349)	3,582
Adjustment recognised for prior period	(31,981)	(24,960)
Plant and equipment	(244,775)	(52,506)
	2,607,662	1,611,186
Movements:		
Balance at beginning of year	1,611,186	923,941
Property leases	983,558	264,427
Share issue costs	121,216	(722)
Provisions and accruals	69,009	43,397
Impairment of receivables	40,688	-
Audit fee accruals	20,100	6,900
Plant and equipment	(192,269)	(52,506)
Deferred revenue	(34,874)	9,436
Adjustment recognised for prior period	(7,021)	(24,960)
Borrowing costs	(3,931)	1,007
Additions through business combinations	-	298,121
Change of tax rate	-	142,145
Balance at end of year	2,607,662	1,611,186

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 13. Current liabilities – Trade and other payables

	2022 \$	2021 \$
Trade payables	455,971	709,461
Other payables	4,273,060	2,998,611
	4,729,031	3,708,072

Note 14. Current & Non-current liabilities – Borrowings

Current	-	409,081
Non-current	4,326,600	8,076,600
	4,326,600	8,485,681

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	4,326,600	8,076,600

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	-	409,081

Financing arrangements

Bank loans

The loans are secured on the assets and undertakings of the Group.

Facility at end of year

Total bank loan facility	28,591,000	30,019,000
Less amount used	(4,326,600)	(8,076,600)
Unused loan facility	24,264,400	21,942,400

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 drawdown. The Group had up to \$10.2 million (at reporting date) available to be drawn down from its lending facility for working capital requirements. There have been no events of default on the financing arrangements of the Group during the year.

Bank guarantee facility

The guarantees are secured on the assets and undertakings of the Group.

Facility at end of year

Total bank guarantee facility	4,500,000	4,500,000
Less amount used	(3,609,725)	(3,591,507)
Unused guarantee facility	890,275	908,493

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 15. Current & Non-current liabilities – Lease liabilities

	2022 \$	2021 \$
(a) Expenses		
Expenses from transactions not recognised as leases:		
Rental expense relating to leases of low-value assets	34,240	55,661

(b) Cash flows

Total cash outflow for leases	8,704,429	4,541,690
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(c) Right-of-use assets

	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 9)	-	(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

Maturity of Lease liabilities

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

31 December 2022	Within 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount of lease liabilities \$
Property Leases	9,319,250	9,608,531	28,853,179	118,847,165	166,628,125	136,765,659

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 15. Current & Non-current liabilities – Lease liabilities (continued)

Additional information

Unavoidable future payments

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

Weighted average property lease term

The average unavoidable property lease term, weighted for the number of licensed places, is 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).

Note 16. Provisions

	2022 \$	2021 \$
Current	2,433,596	2,606,566
Non-current	106,135	9,160,435
	2,539,731	11,767,001
<i>Consisting of:</i>		
Employee entitlements		
Balance at beginning of year	2,767,001	1,742,657
Net (decrease)/increase	(227,270)	1,024,344
Balance at end of year	2,539,731	2,767,001
Property lease make-good provision		
Balance at beginning of year	-	45,922
Net (decrease)/increase	-	(45,922)
Balance at end of year	-	-
Provision for earn-out		
Balance at beginning of year	9,000,000	-
Additional purchase consideration not earned (Note 18)	(9,000,000)	9,000,000
Balance at end of year	-	9,000,000

Note 17. 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.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 17. Contributed equity (continued)

(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
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. Whether or not the DRP is offered to shareholders in relation to a declared dividend is at the discretion of the Board.

(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.

(e) Capital management

Risk management

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

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

Dividends

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

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 17. Contributed equity (continued)

(e) Capital management (continued)

	2022 \$	2021 \$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2021: 25%)	4,780,803	3,280,936

The above amount is calculated from the balance of the franking account as at the end of the reporting period.
The prior year comparative has been restated at the correct rate of 25% (not 30% as previously reported).

Note 18. Business combinations

The Group did not acquire any childcare centre businesses during the financial year.

Finalisation of prior period provisional estimates

During the financial year 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 \$
Goodwill¹				
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 11)	(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 acquisition date to account for settlement adjustments relating to employee entitlement obligations assumed upon acquisition.

Note 19. 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):

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

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 20. Key management personnel (KMP) disclosures

	2022 \$	2021 Restated \$
<i>Aggregate compensation made to directors and other KMP of the Group:</i>		
Short-term employee benefits	766,313	620,304
Long-term benefits	92,202	61,467
Termination benefits	125,946	-
	984,461	681,771

Short-term employee benefits have been restated for 2021. Detailed remuneration disclosures are provided in the Directors' Report, within sections A to D of the Remuneration Report.

Note 21. Remuneration of auditor

	2022 \$	2021 \$
During the period the following fees were paid or payable for services provided by the auditor and its related practices:		
Audit services		
Audit and review of financial reports ¹	161,050	88,020
Non-audit services		
Preparation of income tax returns and related matters	38,950	20,950
Independent Expert's Report	-	65,000
Total fees of PKF Melbourne and its related practices	200,000	173,970

1. The audit of the financial report for the year ended 31 December 2022 was significantly impacted by the KordaMentha investigation (Notes 5, 22 & 25).

Note 22. Related party transactions

Parent entity

The parent entity of the Group is Mayfield Childcare Limited.

Subsidiaries

Please refer to Note 19 for details of the Company's interests in subsidiaries.

Key management personnel (KMP)

Detailed remuneration disclosures relating to KMP are set out in Note 20 and in the Directors' Report, within sections A to D of the Remuneration Report.

Transactions with related parties

Management of 14 childcare centres acquired in December 2021

From 10 December 2021 (initial acquisition date) to 30 September 2022 the day-to-day management of the 14 childcare centres was provided by Genius Learning Pty Ltd in accordance with the terms of the Transitional Services Agreement between the two parties. Genius Education Holdings Pty Ltd (a related party to Genius Learning Pty Ltd) is a major shareholder of Mayfield Childcare Limited.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 22. Related party transactions (continued)

Loan to Genius Learning Pty Ltd

During the reporting period the Company's subsidiary provided agreed centre support services to Genius Learning Pty Ltd (a related party of major shareholder Genius Education Holdings Pty Ltd). The services were provided on commercial terms. These services, along with minor funding due to, and expenses paid on behalf of Genius Learning Pty Ltd 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.

Unauthorised transactions initiated by former senior employee/director

Please refer to Note 5 Correction of errors and variation from preliminary financial report and to Note 25 Events occurring after the reporting period for further information in relation to the independent forensic investigation into the apparent misappropriation of funds by, and the misallocation of payments at the direction of, a former senior employee/director of the Group.

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 23. Commitments

Capital commitments

The Group has no capital commitments as at reporting date (31 December 2021: None)

Note 24. Reconciliation of profit after income tax to net cash from operating activities

	2022 \$	2021 Restated \$
Profit after income tax	4,876,741	2,206,071
Depreciation	10,050,608	5,092,273
Impairment charge on trade receivables	135,627	-
Net loss on disposal of centre		53,591
Net (gain)/loss on disposal of non-current assets	(28,794)	9,313
Gain on disposal of property lease	(32,693)	-
Acquisition costs	-	1,286,498
Non-cash finance costs	-	108,556
Borrowing costs	-	13,000
Change in operating assets and liabilities		
Increase in trade and other receivables	(2,063,835)	(1,018,506)
Decrease in other operating assets	317,082	284,081
Increase in deferred tax assets	(1,151,387)	(141,579)
Increase in trade and other payables	804,960	2,344,799
Decrease in contract liabilities	(63,212)	(32,255)
Decrease in current tax liabilities	(310,727)	(321,531)
(Decrease)/increase in provisions	(227,269)	30,605
Net cash inflow from operating activities	12,360,692	9,861,325

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 25. Events occurring after the reporting period

On 8 February 2023 the Group announced to the market the acquisition of a 75 licensed places childcare centre in Cairns, Queensland, with a purchase price of \$1.07 million, representing a purchase price multiple of 5.0 times forecast CY23 centre EBITDA. As part of this transaction the Group entered into a lease arrangement for the property which is owned by a related party of Genius Education Holdings Pty Ltd, a major shareholder of the Company.

On 1 March 2023 the Group executed a Business Sale Agreement with Genius Learning Pty Ltd, a related party of Genius Education Holdings Pty Ltd, to acquire two childcare centres with a combined total of 140 licensed places for total consideration of \$2.4 million. The Group and the vendor are working through the Conditions Subsequent outlined within the Business Sale Agreement to complete the acquisitions.

On 2 March 2023 Michelle Clarke's consultancy with the Company ended.

On 29 March 2023 the Company announced to the market that it had received KordaMentha's final independent forensic accountant's report ('Report') in relation to the period 1 January 2020 to 31 December 2022 ('Investigation Period').

The Report concluded that, during the Investigation Period:

- Funds totalling \$374,713 (including GST) appear to have been misappropriated from the Company by a former senior employee/director of the Company ('Misappropriated Funds') ('Former Employee'); and
- At the direction of the Former Employee, payments totalling \$810,818 were misallocated over the Investigation Period to deliberately misrepresent earnings, apparently in connection with the Misappropriated Funds ('Misallocated Payments')

The Company is receiving legal advice in relation to recovery of the Misappropriated Funds, including preservation of assets sufficient to compensate the Company for any loss and damage suffered. The Company is satisfied with the recovery options available to it.

The Company will pursue all available claims for any loss and damage suffered by the Company in relation to the Misappropriated Funds and Misallocated Payments, including the cost of the forensic investigation and preparation of the Report, legal costs and interest, however no asset has been recognised in the financial report in relation to any potentially recoverable amounts.

The Company will undertake an internal review of transactions prior to the Investigation Period. If necessary, the Company will provide a further update to the market at the relevant time, however any future financial statements adjustments arising from the future internal review are not expected to be material.

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.

Notes to the consolidated financial statements for the year ended 31 December 2022

Note 26. Earnings per share

	2022	2021
	Cents	Restated Cents
Basic and diluted earnings per share	7.58	6.46
Weighted average number of shares	Number	Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	64,295,400	34,127,659
	\$	Restated \$
Earnings used in calculating basic and diluted earnings per share¹	4,876,741	2,206,071
Profit after tax attributable to the ordinary equity holders of the Company		

1. Statutory earnings have been reduced by the ongoing application of AASB 16 Leases (refer 'underlying' EPS in the Review of Operations, within the Directors' Report, on page 6).

Note 27. Contingencies

The Group has no contingent liabilities as at reporting date (31 December 2021: None).

As outlined in Note 25, the Group is receiving legal advice in relation to the recoverability of misappropriated funds, which represents a contingent asset of the Group as at 31 December 2022.

Note 28. Parent entity financial information

	2022	2021
	\$	Restated \$
(a) Summary financial information		
Balance sheet		
Current assets	3,135,143	4,103,117
Total assets	114,337,610	121,714,930
Current liabilities	11,326,132	10,569,632
Total liabilities	45,501,260	55,962,211
<i>Shareholders' equity</i>		
Issued capital	60,618,740	58,469,660
Retained earnings	8,282,203	7,283,059
	68,900,943	65,752,719
Profit or loss for the year	4,013,186	2,266,138
Total comprehensive income	4,013,186	2,266,138

(b) Guarantees entered into by the parent entity

The parent entity has utilised its bank guarantee facility with Westpac (Note 14) to provide bank guarantees to its subsidiary's landlords.

1,757,442 1,757,442

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 18 to 47 are in accordance with the Corporations Act 2001, including:

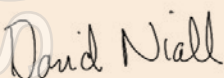
- (i) with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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



David Niall
Chairman

Melbourne
13 April 2023

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

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Mayfield Childcare Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters – Business combinations	How we have addressed this matter
As at 31 December 2022, the business combinations recognised during the 31 December 2021 financial year have been finalised and the fair value of the assets and liabilities determined in line with AASB 3 <i>Business Combinations</i>. Significant movements between the provisional and final accounting comprise: \$9 million relating to the write-back of contingent purchase consideration not earned, \$0.6 million in additional purchase consideration relating to employee entitlement obligations assumed upon acquisition. Significant judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill. Based on this we have considered the final accounting for business combinations to be a Key Audit Matter.	Our audit procedures included but were not limited to: - Validating the components of the business combinations to underlying support including settlement contracts; - Assessing Managements calculation of the contingent consideration and its accuracy in accordance with the contractual arrangements, performance relative to performance hurdles and relevant accounting standards; - Reviewing the accounting entries associated with the business combinations; and - Reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards.

Key audit matters – Valuation of goodwill	How we have addressed this matter
As set out in note 11 the Group had goodwill of \$74.111 million as at 31 December 2022 (2021: \$82.612 million). The accounting policy in respect of these assets is outlined in note 1. An annual impairment test for goodwill is required under AASB 136 <i>Impairment of Assets</i>. Management's assessment has been performed using a discounted cashflow model (Impairment model) to estimate the value-in-use of the Cash Generating Unit (CGU) to which the goodwill has been allocated. The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining key assumptions, which include: • 5 year cash flow forecast; • Occupancy rates; • Terminal growth factor; and • Discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangibles is an area of significant Management estimation and judgement, and a Key Audit Matter.	Our audit procedures included but were not limited to: • Assessing and challenging the assumption that one CGU is appropriate in the context of the goodwill allocated to it; • Assessing the reasonableness of the Financial Year 2023 budget approved by the Board by comparing Financial Year 2022 actual results and Financial Year 2022 budget; • Challenging the assumptions used to forecast occupancy rates across the portfolio of centres in the Impairment model; • Challenging assumptions used for the future growth rate by comparing normalised average growth rates for centres in recent years to the growth rate adopted in the Impairment model, noting the regulatory environment in the sector; • Challenging the key assumptions for long term growth in the forecast cash flows by comparing them to historical results and industry forecasts; • Challenging the discount rate applied by comparing the Company's weighted average cost of capital to industry benchmarks; • Reviewing the arithmetic accuracy of the Impairment model; • Reviewing Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; • Performing our own sensitivity analysis of Management's impairment model; and • Reviewing the appropriateness of the disclosures including those relating to sensitivities in the assumptions used in Note 11.
Key audit matters – Management override and fraud	How we have addressed this matter
During the audit process, as set out in the Directors report, note 5 and note 22, Management informed us that as part of an internal review of historical supplier payments for the purposes of preparing the Group's 2023 capital expenditure budget, anomalies were uncovered which led to the appointment on 24 January 2023 of Independent Forensic Accountants to conduct an investigation from 1 January 2020 to 31 December 2022. This Report concluded that, during the Investigation Period:	Our audit procedures included but were not limited to: • Assessing our ability to rely on the report prepared by the Independent Forensic Accountants; • Evaluating the findings identified by the Independent Forensic Accountants relative to the impact on the financial report and our audit findings; • Performing additional audit procedures to validate accuracy of report findings;

• Funds totalling \$374,713, including GST, appear to have been misappropriated from the Group by a former senior employee/director of the Group ('Misappropriated Funds') ('Former Employee'); and • At the direction of the Former Employee, payments totalling \$810,818 (comprising \$670,579 in FY2020, \$140,939 in FY2021 and nil in FY2022) were misallocated over the Investigation Period to deliberately misrepresent earnings, apparently in connection with the Misappropriated Funds ('Misallocated Payments'). Management override of controls is a default significant audit risk under Australian Auditing Standards. Based on the above, we have determined that Management Override, particularly with respect to fraud, to be a Key Audit Matter.	• Assessing Managements determination of the impact of the financial report and adequacy of disclosures in accordance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>; • Performing walkthroughs of relevant processes underpinning the financial report; • Reviewing key estimates and judgements, identifying instances where Management has significantly changed assumptions, to quantify the impact if assumptions remained unchanged from prior year; • Reviewing general journals processed during the year for reasonableness, ensuring they are adequately supported and approved; • Remaining professionally sceptical throughout the audit; • Reviewing Management responses for potential indicators of bias; and • Reviewing the appropriateness of disclosures in the financial report
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

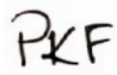
Opinion on the Remuneration Report

We have audited the Remuneration Report commencing on page 10 in the Directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of the Mayfield Childcare Limited for the year ended 31 December 2022, complies with section 300A of the Corporations Act 2001.

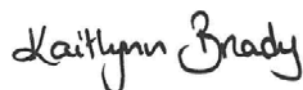
Responsibilities

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



PKF

Melbourne, 13 April 2023



Kaitlynn Brady

Partner

Shareholder Information

The shareholder information in this section was applicable as at 17 April 2023.

Number of equity securities

The Company had on issue 65,312,704 fully paid ordinary shares, held by a total of 737 shareholders.

There is no on-market buy-back scheme.

Distribution of equity securities

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

Range	Number of holders of ordinary shares
1 to 1,000	151
1,001 to 5,000	222
5,001 to 10,000	97
10,001 to 100,000	217
100,001 and over	50
Total	737

There are no holders of unmarketable parcels (being less than \$500) at the ASX closing price of \$1.08..

Substantial holders

A person has a substantial holding if, together with their associates, they have relevant interests in voting shares or interests carrying 5% or more of total votes. A substantial shareholder notice must usually be given to the Company, and immediately released to the market, within two business days of a shareholder first becoming, or ceasing to be, a substantial shareholder. Subsequently, substantial shareholder notices are only required for any further movement of a person's holding of at least 1% (up or down). Therefore, due to a shareholder's ability to increase or decrease their holding by up to 1% without notifying the Company, the following substantial shareholder details, representing the most recent substantial shareholder notices received, may not represent the total shareholding of each shareholder as at 17 April 2023:

Holder	Number of shares held	Percentage of total shares currently on issue
Genius Education Holdings Pty Ltd	21,704,347	33.23
Riversdale Road Shareholding Company Pty Ltd (ATF Riversdale Road Shareholding Trust), J.T. Campbell & Co Pty Ltd, J.T. Campbell Properties Pty Ltd	7,900,000	12.09
Total	29,604,347	45.32

Restricted securities

The 21,704,347 ordinary shares held by Genius Education Holdings Pty Ltd (Holder) are restricted in accordance with the terms of the Escrow Deed of 3 December 2021 between the Holder and the Company (refer Notice of initial substantial holder announced on the ASX on 14 December 2021).

Top 20 Shareholders

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

Registered holder of shares	Number of shares held	% of total shares on issue
GENIUS EDUCATION HOLDINGS PTY LTD	22,678,211	34.72
RIVERSDALE ROAD SHAREHOLDING COMPANY PTY LTD	4,161,175	6.37
D W & M R CLARKE PTY LTD	3,396,866	5.20
NATIONAL NOMINEES LIMITED	3,111,035	4.76
RIVERSDALE ROAD SHAREHOLDING COMPANY PTY LTD	2,756,927	4.22
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,706,755	4.14
BNP PARIBAS NOMINEES PTY LTD	2,623,621	4.02
MALCOLM & JUNE ROSS INVESTMENTS PTY LTD	1,521,783	2.33
JT CAMPBELL PROPERTIES PTY LTD	1,223,877	1.87
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,110,808	1.70
TOBAKA PTY LTD	1,032,559	1.58
KEWRAY PTY LTD	985,969	1.51
NCH PTY LTD	734,352	1.12
MR MICHAEL NORMAN KROGER & MR JACK HENRY KROGER	696,581	1.07
KAMGA PTY LTD	620,000	0.95
BIRBAL INVESTMENTS PTY LTD	569,831	0.87
PLUSH NOMINEES PTY LTD	549,089	0.84
NSR INVESTMENTS PTY LTD	420,000	0.64
J T CAMPBELL & CO PTY LTD	416,119	0.64
AUSTRALIAN SALES & LEASING PTY LTD	413,982	0.63
Total	51,729,540	79.20

Voting rights

The only class of securities issued by the Company is fully paid ordinary shares. On a show of hands every holder of ordinary shares present at a meeting of the Company, either personally or by duly authorised representative, proxy or attorney, is entitled to one vote, and upon a poll each share is entitled to one vote.