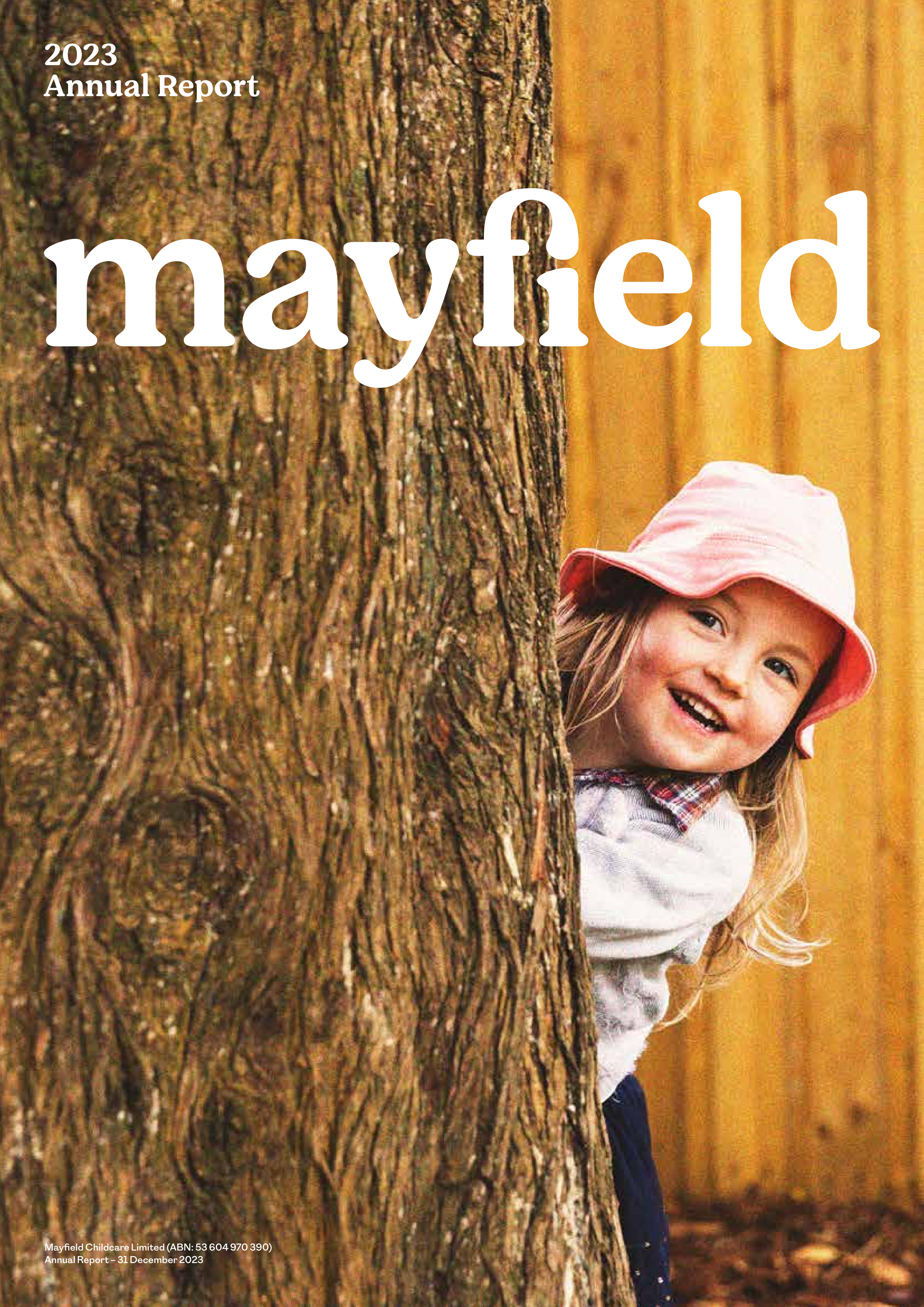
2023
Annual Report



mayfield

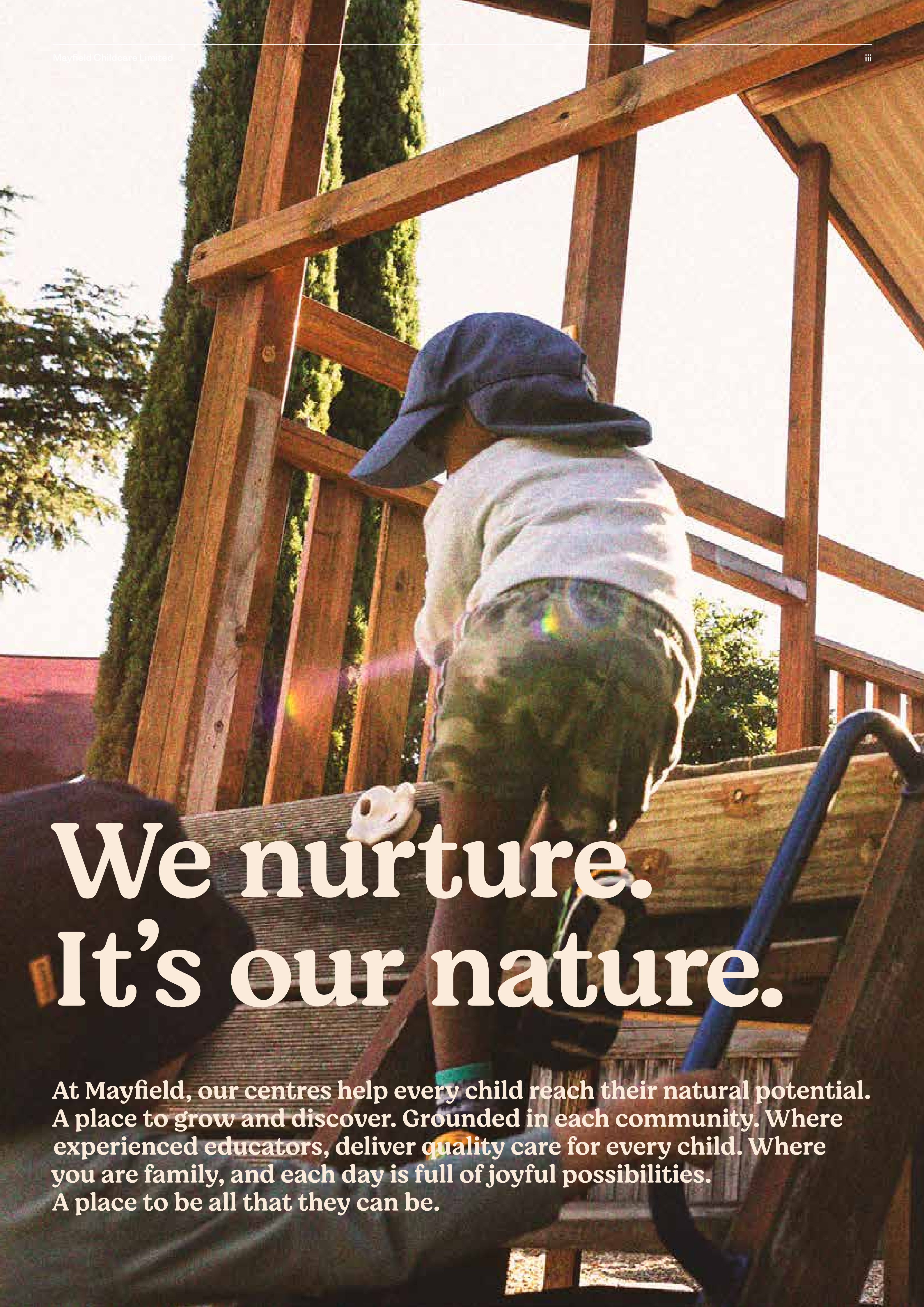
Mayfield Childcare Limited (ABN: 53 604 970 390)
Annual Report – 31 December 2023

Contents

Acknowledgement of Country

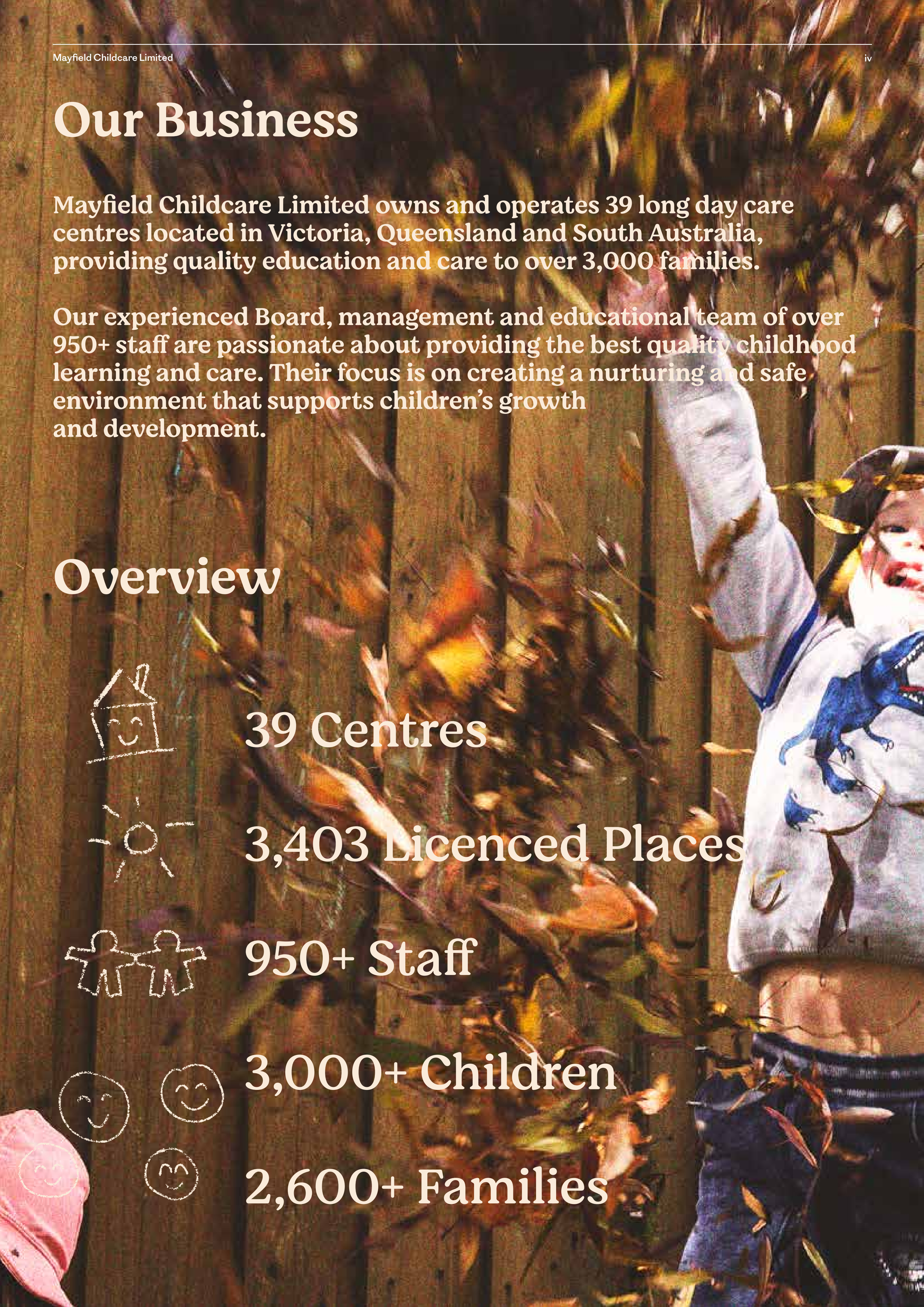
We acknowledge the Traditional Owners of the land on which we operate our childcare services across Australia. We pay our respects to their Elders, past, present and emerging, and recognise the ongoing connection to Country and the important role that Aboriginal and Torres Strait Islander peoples continue 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 39 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 950+ 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.

Overview

39 Centres

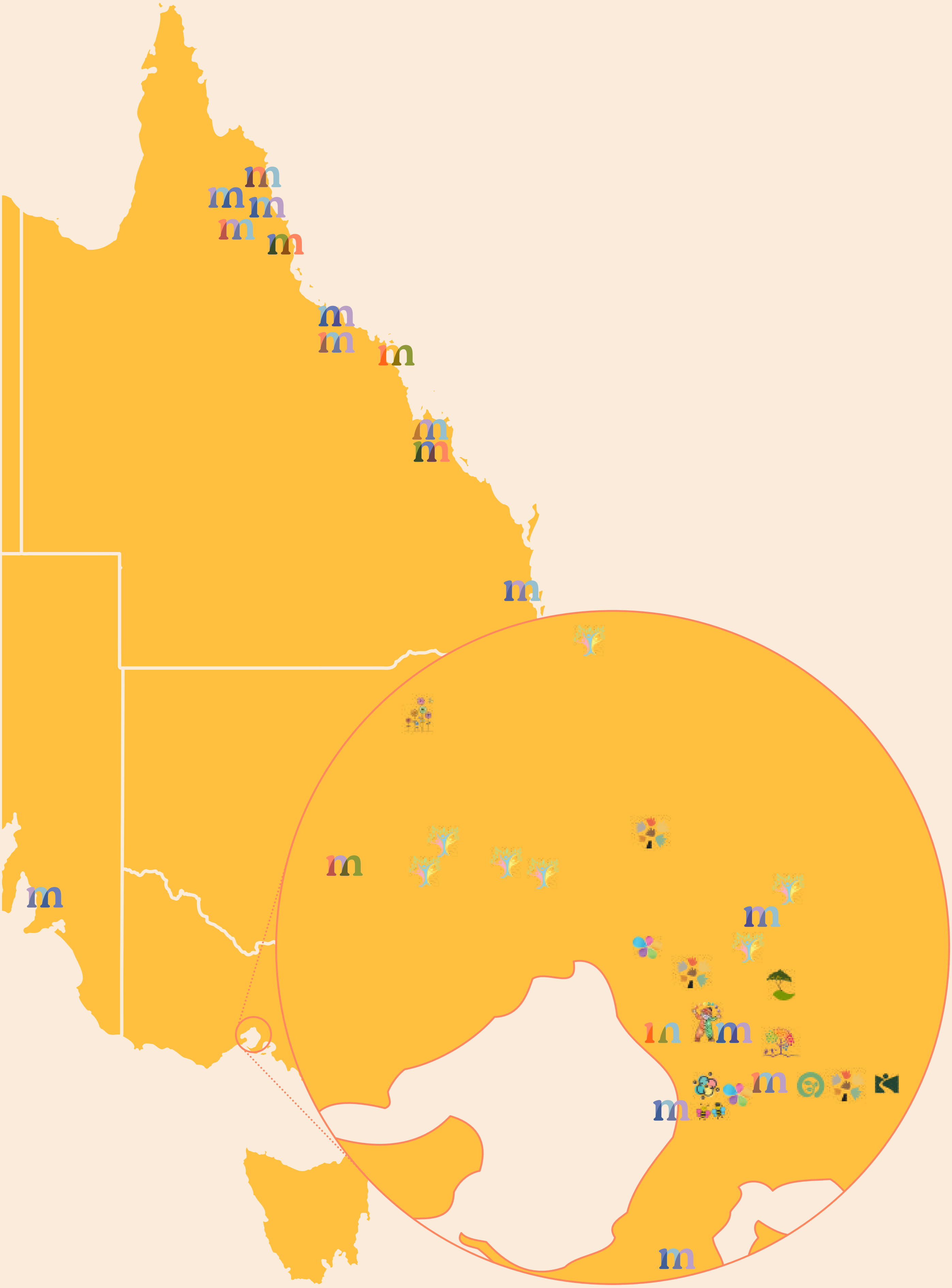
3,403 Licenced Places

950+ Staff

3,000+ Children

2,600+ Families

Our Centres



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.

From the Chair

Dear Shareholders,

I am pleased to present to you the Mayfield Childcare Limited 2023 Annual Report.

This has been a year of significant progress for the Company, as we focused on building a culture of integrity, respect and accountability across the Company after a period of management change and instability.

Our vision to build an environment where every child reaches their natural potential has been central to reinvigorating our culture and given focus to the whole Mayfield community.

We also made important progress in strengthening our corporate governance and enhancing our organizational capabilities to provide a strong foundation for further growth opportunities. These actions have positioned us well for the future and have increased the intrinsic value of your company.

Let me share with you some of the highlights of the year:

- We hired an external advisor to conduct a thorough review of our corporate governance practices, in accordance with the ASX corporate governance principles and recommendations. The review covered our board policies and procedures, our risk management frameworks, and our skills matrix for future director appointments. We are committed to implementing all the recommendations from the review, including adding another independent non-executive director to our board.
- We were very fortunate to have Ms Roseanne Healy join our board as an independent non-executive director. Roseanne has over 20 years of experience in corporate advisory, non-executive director and chair roles at private and ASX-listed companies and statutory corporations, and a background in strategy, innovation and governance. She has been a valuable addition to our board and has contributed greatly to our strategic direction and oversight.
- We invested heavily in our financial control and reporting capabilities, and we were thrilled to welcome Chris Hayes as our new CFO. Chris has extensive experience and leadership in financial management, and he has been instrumental in ensuring that we deliver value to our shareholders. He has also improved our financial transparency and accountability and has helped us optimize our capital allocation and cash flow management.
- Our staff and management team, admirably lead by our CEO Ashok Naveinthiran, have been superb in their dedication and commitment. They have shown remarkable resilience and adaptability and they have worked hard to deliver high-quality services to our families. I am deeply grateful to them for their loyalty and enthusiasm, and I am proud of their achievements.

In summary, 2023 was a year of significant progress and transformation for your company. We improved our performance, strengthened our governance, enhanced our capabilities, and expanded our opportunities.

We are excited about the future and we look forward to continuing to deliver value to our shareholders.

Yours sincerely,

David Niall

David Niall
Chair

From the CEO

Dear Shareholders,

As we turn the final page on 2023, I am immensely proud to report it closed on a positive note. Despite a year marked by disruption, we are not only ending with robust financial results, but also with a reinforced culture of trust and alignment throughout the Group.

Firstly, I want to commend the entire support office team for their resilience this year as we worked through a number of prior period issues, including an extensive investigation undertaken by KordaMentha into the conduct of former Executive Directors. I am deeply grateful for their unwavering commitment to Mayfield, our educators, families, and shareholders, and importantly to the thousands of children who are at the heart of our mission and care.

Our journey this year made it clear that our capability and culture needed realignment to achieve our desired outcomes, which led us to take decisive action to construct a deeply experienced leadership team capable of setting the stage for future success.

Despite the challenging start to the year, the team worked diligently in laying the groundwork for what would become a notable turnaround in performance. I am pleased to highlight the significant improvement in our Group EBITDA results achieved in Q4, which improved over 250% on the prior quarter, and the strong results of the four centres acquired in the year which performed above forecast. Our Group's operational momentum further continued into 2024, with a positive trading result in January.

This year, we faced tough decisions, particularly in restructuring the organisation and approving centres for divestment. We understand that each centre is more than just a part of our business—it is home to a team of educators who are integral to the Mayfield family. These choices were approached with the gravity they deserve, cognisant of the impact they carry.

The team's commitment to quality and compliance remained steadfast this year. Their efforts are reflected in the positive results achieved in this area – the number of centres rated either 'Meeting' or 'Exceeding' the National Quality Standards improved significantly from 78% to 92%. This dedication to excellence was further underscored by a recent 'Exceeding' rating received in February 2024 - one of only four ever awarded to Mayfield, and all under the stewardship of our current team.

Centre managers, the heartbeat of Mayfield, were a key focus this year. We endeavoured to elevate and empower them, entrusting them with the responsibility to run their centres with the entrepreneurial spirit of owning their own business. To reinforce this empowerment, we've introduced incentive programs, budgets, and targets, aligning our collective efforts towards shared goals.

Our inaugural Centre Manager Conference which held in October, where we brought the team together to share, learn and reflect, was a particular highlight of the year for me. We have transitioned from a collection of disparate centres to a unified Company under a single brand identity, defined by shared values and direction. We have cultivated a culture brimming with positivity, empowerment, and an inherent ambition for excellence - all while maintaining our ethical compass.

Our corporate values, now firmly established, not only address our historical journey but also pave the way towards our envisioned future. They guide us in building a business that is sustainable, responsible, and aligned with our aspirations. We have built a culture of leadership and initiative at every level, underscored by a 'good enough is never enough' attitude. And we've achieved all of this in an ethical manner, without compromising our values.

As we look ahead to 2024, we shift our focus to performance and initiatives to unlock long-term value for shareholders and the potential reinstatement of a dividend at 30 June 2024, which will be subject to bank approval. With our shared goals, strong values, and dedicated team, I am confident in building on the momentum we have achieved in 2023.

Finally, I extend my gratitude to you, our shareholders, for your faith in the Board and the Mayfield team, supporting us through this challenging period as we remediate the past and lay the foundations for the future.

Yours sincerely,

Ashok Naveinthiran
CEO

Highlights

4
new centres acquired

53.1
Family NPS

Introduced
new Mayfield Curriculum & Commitment to Quality Program

18
centres rebranded

100%
rebrand satisfaction

1st
Mayfield Early Education conference

100%
of centres participating in A&R received a Meeting or Exceeding rating

92%
of centres Meeting or Exceeding NQS

Launched
new website: mayfield.com.au

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.

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.

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.

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.

Efficiency through Innovation

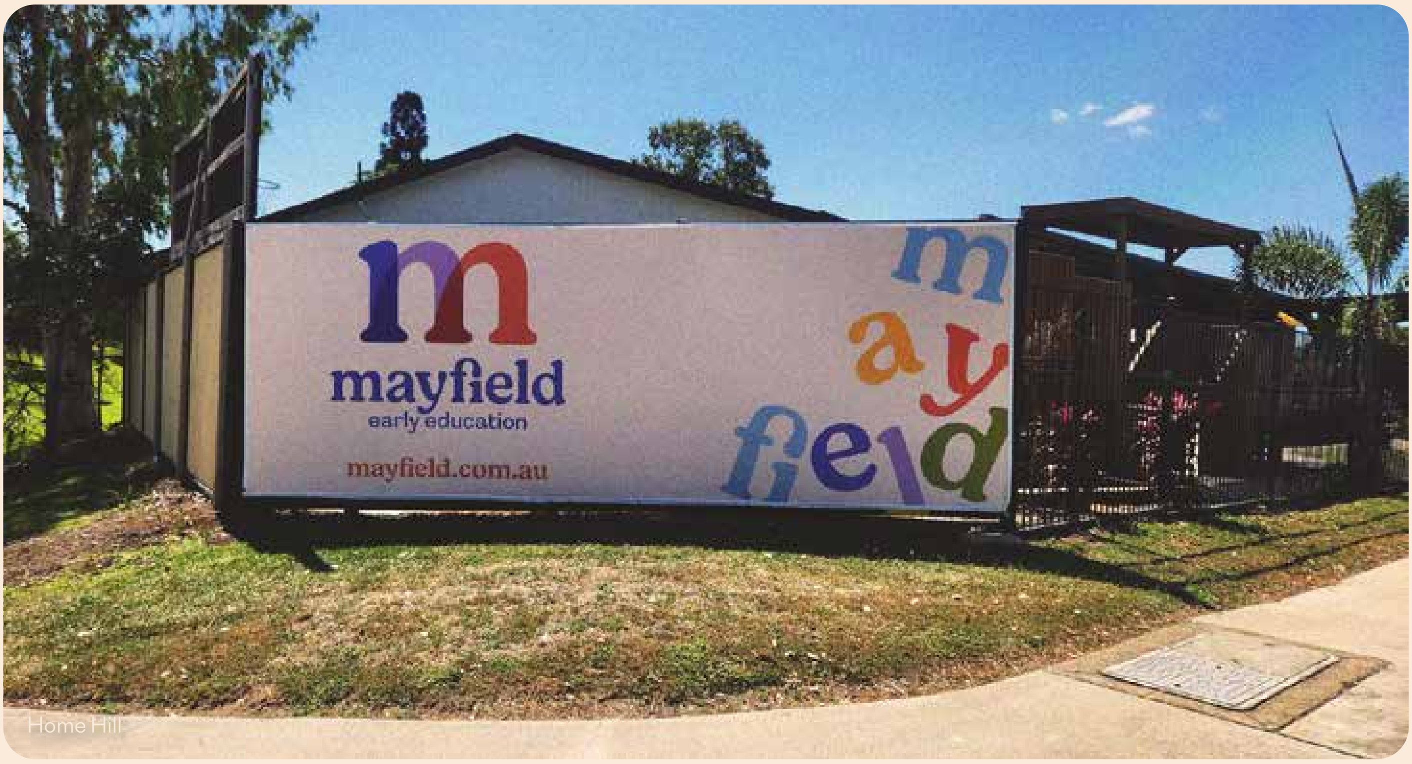
We leverage innovation and technology to drive operational efficiencies, improve quality, and create a better experience for our children and families. We have invested in technology platforms to streamline administrative tasks, enabling our staff to focus on delivering high-quality education and care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

Sandringham

Mooroolbark

"I feel its simple, clear and attractive to look at. It was a really special touch having the M in many different color variants and enabling team to choose their M felt very inclusive of the people working for Mayfield."

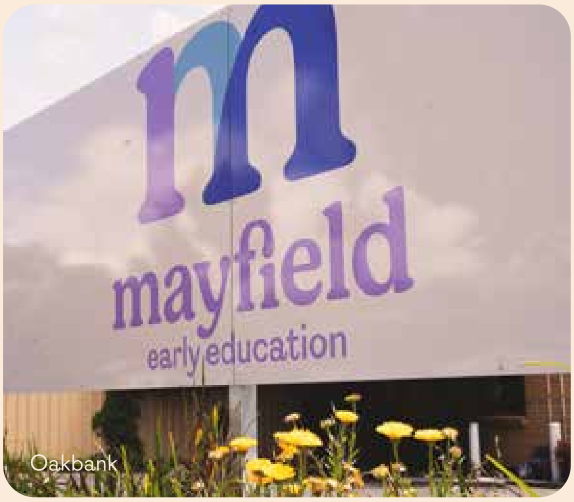
- Centre Manager



Home Hill

Gordonvale

Enoggera



Oakbank

“Mayfield is a great company and hopefully it will provide community interest and staff reengagement. I cannot wait for it to be fully transitioned over.”

- Centre Manager

Our Management Team

Our Core Values

In guiding Mayfield, our management team adheres to a set of core values that serve as the compass directing our decisions and actions.

Lead with Heart

Focus on the child at the heart of everything we do.

Achieve with Integrity

Dream big, while staying true to our principles of honesty and respect in every interaction.

Be Authentic, Be Respectful

We are committed to open and honest communication that builds trust, while treating everyone with kindness and valuing diverse perspectives.

Spark Greatness

Encourage a mindset where 'good enough' is never enough, inspiring our team to continually explore new possibilities to strive for greatness.

Simone Lethaus

Head of Quality & Compliance

Appointed Nov 2018
Previous companies:
Guardian Childcare, Department of Education

"In 2023, our commitment to excellence and compliance was evident through core strategic initiatives. Key roles supporting Compliance, Quality, and Curriculum were introduced, fostering continuous development. The Mayfield curriculum brought innovation, and the Commitment to Quality Program ensured sustained excellence. A comprehensive rebranding effort enhanced clarity and accessibility of policies, procedures, and documents. The Educational Leader Mentor Project underscored our dedication to professional growth. These milestones mark our exciting journey, solidifying our position as leaders in delivering high-quality education with unwavering compliance standards."

Michelle Scott

Head of Childcare Operations

Appointed January 2023
Previous companies:
G8 Education, Tribe Early Learning

"One of the highlights of our year was the successful, inaugural Mayfield Centre Manager Conference in Melbourne, emphasising Wellbeing, Leadership, and Culture. The conference featured insightful presentations, including introducing our new Mayfield Values and Pillars as well as new initiatives. The feedback received was overwhelmingly positive, highlighting the value of the opportunity to connect with Head Office, engage with our peers and reinforcing our shared commitment to providing the best possible care and support for the children in our centres."

Chris Hayes

Chief Financial Officer

Appointed July 2023
Previous companies:
Spirit Technology Solutions, BDO Australia

"This year, the Company strengthened governance and internal controls through systematic processes, instilling confidence in the Board, shareholders, and key stakeholders. We've prioritised budgeting and performance ownership across the Group. In the upcoming financial year, our commitment includes pursuing cost optimisation and improved profitability at the Centre level, aligning with our strategy for sustainable growth. Exciting projects are underway to enhance financial management and reporting, with a dedicated focus on resource allocation efficiency and profitability, as emphasised by the Executive team and Board."

Scott Conway

Financial Controller

Appointed June 2023
Previous companies:
Sensis, Ernst & Young

"A big focus of 2023 for us was to improve the information being provided back to those that are able to drive performance within the organisation. We have vastly improved the quantity, quality and timeliness of reporting already, with a lot more to come. Added to that, there was a drive within the team to tighten up finance systems and processes in order to improve time and cost efficiencies. I'm excited to capitalise on these and continue the trend in 2024."

Francis Truong

Head of Marketing & Communications

Appointed October 2022
Previous companies:
OPED Australia, OPC Health

"This year, our achievements were distinguished by impactful rebranding efforts, encompassing the transformation of 18 centres into Mayfield Early Education and attaining a perfect 100% rebrand satisfaction score from centre managers. The debut of our new website, mayfield.com.au, not only represented a noteworthy milestone but also played a crucial role in strengthening our digital presence. The introduction of this updated identity and online platform served as a pivotal catalyst for our achievements, solidifying our dedication to innovation and reinforcing our standing as a forward-thinking and dynamic entity within our sector."

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, Non-Executive Chair
Ashok Naveinthiran, Managing Director & CEO
Roseanne Healy, Non-Executive Director

Company Secretary

Tamarra Barr
CSB Corporate
Level 30, 35 Collins 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 15, 500 Bourke Street
Melbourne VIC 3000

Banker

Westpac Banking Corporation
150 Collins Street
Melbourne VIC 3000
w linkmarketservices.com.au

Statutory Accounts

Year ended 31 December 2023

Contents

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 2023.

Directors

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

- David Niall, Chair and Non-Executive Director
- Ashok Naveinthiran, Managing Director & CEO
- Roseanne Healy, Non-Executive Director (appointed 8 November 2023)

Lubna Matta was a Non-Executive Director from her appointment on 10 December 2021 to her resignation on 8 November 2023.
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 and financial performance

Childcare Revenue for the consolidated Group increased by 12% to $76.1 million, driven by an increase in family utilisation and the contribution of new centres acquired in the first half of the year.

Resulting adjusted Group EBITDA of $4.6 million reflects the adjustment for the impact of AASB 16 Leases and the impact of a $1.4 million accounting provision related to historical amounts received in funding that Mayfield may not have been entitled to receive, due to a non-compliant fee billing policy implemented in 2018 by previous management. This policy has since been rectified and the Company has disclosed the matter to the relevant Government department as part of our compliance review conducted in the year.

The result reflects a challenging year of one-time expenses, remediation of historic compliance issues and the extensive remedial work required to rectify prior periods of underinvestment, and misappropriations. While one-time expenses are reflected within the financial performance for this period, they underscore the Company's dedication to laying a solid and transparent foundation for sustainable growth.

Notwithstanding the challenging environment, the Company continued to generate healthy centre level performance, delivering underlying Centre EBITDA of $9.7 million.

The prior period issues and investigation announced in 2023 resulted in the Board and management having to take the following decisive action and remediation steps, including:

1. Internal investigation and litigation to recover expenses
2. Centre remediation and reinvestment;
3. Strategic portfolio review and optimisation;
4. Compliance review;
5. Management restructuring; and
6. Governance review and strengthening of internal controls.

Additional investment in Head Office capabilities was made as a result of the organisational reviews to position the company for growth and ensure a strong control environment.

The Company was pleased to announce 4 centre acquisitions in the year, which delivered strong performance, reflecting management's revised acquisition and due diligence approach. With these acquisitions, the Group expanded its operations to 39 centres throughout Victoria, Queensland and South Australia.

As part of the Group's organic growth strategy, 18 centres were successfully rebranded to the Mayfield Early Education identity, receiving a 100% staff satisfaction rate from centre managers. As a result of the successful rebrand the Company terminated its Genius IP Agreement which will provide an ongoing cost saving to the Group.

In-line with the Company's objectives to build a strong financial governance capability, it was pleased to announce the appointment of an experienced Chief Financial Officer, Chris Hayes, who brings to the Company a strong technical and commercial background.

Continuing the Company's commitment to high standards of Corporate Governance, as announced on 8 November 2023, the Company appointed an experienced Non-Executive Director, Ms Roseanne Healy, which followed an independent selection and screening process conducted by an external firm.

We have also embedded within the organisation a strong focus on budgeting and establishing ownership of performance across the Group. As we head into the new financial year, we are committed to seeking cost optimisation and improved profitability at Centre level as we build out our strategy for sustainable growth and profitability.

Non-IFRS Financial Information[1]

	Group Full Year 2023 $'000	*Group Full Year 2022 $'000*	*Change $'000*
Long Day Care Revenue	**76,075**	67,895	8,180
Other Childcare Income	**1,124**	2,554	(1,430)
Revenue & other income	**77,199**	70,449	6,750
EBITDA	**13,183**	20,081	(6,898)
Reversing AASB 16 impact	**(10,019)**	(8,736)	(1,283)
EBITDA adjusted for AASB 16 Leases[2]	**3,164**	11,345	(8,181)
Add back CCS Provision[3]	**1,388**	-	1,388
EBITDA adjusted for AASB 16 Leases & CCS Provision	**4,552**	11,345	(6,793)
Insurance and other income[4]	**(1,124)**	(2,554)	1,430
(Recoveries) / Misappropriated Funds[5]	**(441)**	105	(546)
Remediation costs[6]	**1,253**	-	1,253
IP Agreement & Branding[7]	**347**	-	347
Genius Transitional ManagementBenefit[8]	**-**	(746)	746
Support Office Costs	**3,277**	2,188	1,089
Other corporate overheads	**1,803**	1,387	416
Underlying Centre EBITDA	**9,667**	11,725	(2,058)

1. Adjusted, NPAT, NPAT from Continuing Operations, 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 AASB 16 Leases please refer to Note 1. Summary of material accounting policies on page 24 of the Annual Report for the year ended 31 December 2023.
3. Reflects the impact of a $1,387,723 accounting provision related to historical amounts received in funding that Mayfield may not have been entitled to receive, due to a non-compliant fee billing policy implemented in 2018 by previous management.
4. Income generated through non-Long Day Care related activities and insurance payments received in relation to a damaged centre.
5. The amount of $440,760 includes recoveries of $329,433 for alleged misappropriations and $111,327 in respect of a termination payment by the Company to the former CEO received under the settlement with the former CEO. An additional $612,338 was received in respect of investigation costs incurred in the current reporting period that have been offset directly against the relevant expense accounts. The total amount received under the settlement with the former CEO was $1,059,024.
6. Expenses incurred in this period to rectify prior period issues including additional resourcing and repairs & maintenance work at numerous centres.
7. Fees associated to IP Agreement and one-time rebranding costs.
8. Benefit received from Genius Learning through the Transitional Services Agreement (terminated in 2H22) and IP Agreement (terminated in 2023)

After reversing the property leases impact of AASB 16 Leases[2], Underlying NPAT from Continuing Operations was was down $6,372,772 or 89% on the previous corresponding reporting period as follows:

NPAT Adjusted for AASB 16	Statutory Full Year 2023 $'000	Reversing AASB 16 Impact $'000	**Adjusted for AASB 16 Full Year 2023 $'000**	Adjusted Full Year 2022 $'000
EBITDA	13,183	(10,019)	**3,164**	11,345
Depreciation	(10,918)	9,595	**(1,323)**	(1,072)
EBIT	2,265	(424)	**1,841**	10,273
Finance costs	(4,497)	3,615	**(882)**	(431)
Tax	797	(957)	**(160)**	(2,617)
NPAT from Continuing Operations	(1,435)	2,234	**799**	7,225
Net loss on disposal of centre	-	-	**-**	(53)
NPAT	(1,435)	2,234	**799**	7,172

Non-IFRS Financial Information (continued)

After reversing the property leases impact of AASB 16 Leases, underlying Earnings Per Share (EPS) was down 9.93 cents per share or 89% as follows:

Underlying EPS[1]	Statutory 2023	Reversing AASB 16	**Underlying 2023**	Underlying 2022 Restated
	Cents	Cents	**Cents**	Cents
Basic and diluted earnings per share	(2.20)	3.42	**1.22**	11.15
	$	$	**$**	$
Earnings used in calculating EPS Net Profit After Tax (NPAT)	(1,434,596)	2,233,533	**798,937**	7,171,709
	Number	Number	**Number**	Number
Weighted average number of shares	65,312,704	65,312,704	**65,312,704**	64,295,400

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.

Completion of independent forensic investigation & settlement with previous CEO

On 22 December 2023, the Company announced that it had received the final settlement amount from the former CEO, Dean Clarke as required under the settlement deed finalised on 20 October 2023. The total amount received under the settlement was $1,059,024 which included $329,433 for alleged misappropriations, $612,338 in respect of investigation and related costs, $111,327 in respect of a termination payment by the Company to the former CEO as part of his employment termination and $5,926 for other items.

Material risks

Mayfield 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.

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 Head of Quality and Compliance to further enhance its compliance focus.
Financial Loss of access to debt funding could impact growth opportunities.	— The Group has well managed levels of debt with sufficient operational cashflow. — 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 9.0 years for MFD centres and 22.7 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. — Many 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.

Material risks (continued)

Risk	Mitigation
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 Company regularly reviews the Incubator Agreement to ensure it remains fit for purpose as a source of potential 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 balance sheet 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. — The Company regularly reviews its Acquisitions and Due Diligence process to ensure it remains fit for purpose and identifies and manages risks inherent in any acquisition.
Cyber Risks Cyber related attacks are an inherent risk faced by every organisation and the financial and operational impact that this risk can have on an organisation is very high. Accordingly, as a material business risk it requires constant management and risk mitigation.	— The Company implements strict access controls to limit user privileges. Only authorised personnel have access to critical systems and sensitive data. — Outsourcing systems security and management to a private professional IT service firm. — The Company utilises accredited third party providers for the provision of data management. — The Board has an active program to review all systems and business IT and Cyber security policies, procedures and risk management.

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 was paid on 21 April 2023, the total cash cost of which was $2,860,699, as the Company did not offer its Dividend Reinvestment Plan (DRP) on this occasion.

No dividend has been declared or paid for the year ended 31 December 2023.

Matters subsequent to the end of the year

No matter or circumstance has arisen since 31 December 2023 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

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

Chair and Non-Executive Director.

Experience and expertise

David 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 skillsets 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.

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 Fully Paid Ordinary Shares (Shares).

Ashok Naveinthiran

Bachelor of Commerce (University of Melbourne).

Managing Director and Chief Executive Officer.

Experience and expertise

Ashok brings deep knowledge and experience in corporate 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 and has worked in Equities, Institutional Banking and Capital Advisory for large financial institutions in the UK and Australia.

Ashok has gained extensive experience in risk management at large institutions where he managed the due diligence of complex securities, listed companies and unlisted funds. Before joining Mayfield, Ashok invested, founded and consulted early-stage technology companies for a number of years, including startups focused on driving operational efficiencies within the early education sector.

In 2022, Ashok was brought in to serve as the CEO of Genius Childcare after the completion of the sale of 14 Genius Education Centres to Mayfield. During his period at Genius he managed a portfolio of greenfield and trade-up childcare assets and early education investments across Australia.

Current directorships of other listed companies

None

Former directorships of other listed companies (last 3 years)

None

Interests in Company shares and options

None

Roseanne Healy

Bachelor of Economics/Arts (University of Adelaide); Bachelor of Laws (University of Adelaide); Master of Business Research (Commerce) (University of Adelaide); Master of Business Administration (University of Adelaide); GAICD.

Non-Executive Director appointed 8 November 2023.

Experience and expertise

Roseanne brings to Mayfield over 20 years of experience in corporate advisory, Non-Executive Director and Chair roles at private and ASX-listed companies and statutory corporations, and a background in strategy, innovation and governance. Roseanne is currently Managing Director of Enterprise Corporation Pty Ltd, a boutique corporate advisory and private equity firm.

Roseanne commenced her career at JBWere and has advised public and private companies including Wesfarmers, Harvey Norman, Brand Collective Australia, General Motors Holden and Porsche. Roseanne has previously held positions of Tribunal Member for the Office of Consumer and Business Affairs and CEO of South Australia's investment attraction vehicle (now, InvestSA).

Roseanne has previously held Non-Executive Director roles in several ASX-listed companies spanning energy, resources, asset management and agriculture. Currently Roseanne holds a number of Director positions, including Director of Murray Darling Basin Authority, Chair of Dairysafe, VeroGuard Systems and Money Management Group. Until 30 September 2023, Roseanne was a Director and Deputy Chair of Grains Research and Development Corporation (GRDC) and Chair of the Audit & Risk Committee.

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 (resigned 8 November 2023).

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.

John Kaminsky

Bachelor App Science (RMIT), MBA (Melbourne Business School)

Non-Executive Director (resigned 30 March 2023).

Experience and expertise

John spent a career in senior roles as CEO/MD, Non-executive Director in diversified international trading, venture capital, simulation software (subsequently listing on the NASDAQ - Moldflow), consulting services, government and private sector representation across a wide range of industry categories (including consumer, industrial, tourism services, engineering, education, collaborative research, and mineral exploration amongst others). A country of particular expertise includes South Korea where he was based for more than a decade.

During 2005 to 2018, as NED, Executive Chair, CEO/MD, John assembled a mineral exploration team at Rimfire Pacific Mining (ASX code "RIM") creating the discovery transformation of the Fifield NSW area into a highly prospective mineral district with significant potential. During this period John developed a deep understanding of the ASX listed company environment and extensive interactions with all professionals within this domain, including compliance, fund raising, investor relations, public forums and shareholder matters.

Current directorships of other listed companies

None.

Former directorships of other listed companies (last 3 years)

None.

Interests in Company shares and options

151,697 ordinary, fully paid shares.

Company Secretary

Tamara Barr (appointed 6 December 2023).

Experience and expertise

Tamara has over 18 years' experience practising as a Company Secretary and Corporate Governance Advisor across a variety of corporate sectors and industries. She has worked predominantly in Australia, as well as in the UK and Europe, providing services to ASX listed, public and not-for-profit corporations. Tamara is a Fellow Company Secretary (FGIA).

Andrew Draffin (resigned with effect from 6 December 2023).

Bachelor of Commerce (Accounting), Chartered Accountant.

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.

Significant changes in the state of affairs

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 2023, were as follows:

	Full meetings of directors	
Name of director	**A**	**B**
Current directors		
David Niall	19	19
Ashok Naveinthiran	19	19
Roseanne Healy *(appointed 8/11/2023)*	2	2
Former directors		
Lubna Matta *(1/1/2023 – 8/11/2023)*	17	17
John Kaminsky *(1/1/2023 – 30/3/2023)*	6	9

A: Number of meetings attended by Director.
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'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 Chair, 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 are:

Director	Director's Fee	Comment
David Niall	$73,000 p.a. plus superannuation	Chair of the Board .
Roseanne Healy	$60,000 p.a. plus superannuation	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 & Option Plan (ESOP) adopted by the Company.

Executive Directors (excluding the Managing Director)

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

Other than the Chief Executive Officer, there are no Executive Directors at the date of this report.

Executive Director (Managing Director) and other KMP Executives

The Group enters into individual employment agreements with each of its executives, including the Managing Director / Chief Executive Officer (CEO) and Chief Financial Officer (CFO). For the year ended 31 December 2023, contracted executive pay was comprised of cash salary, superannuation and non-monetary benefits – only the CFO had an '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 Managing Director excludes himself from Board discussions and any decisions made in relation to his remuneration.

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. In the current reporting period, the Board conducted a KMP remuneration bench-marking exercise as part of the recruitment for the new CFO and the annual review of the CEO remuneration. This was guided by externally sourced independent industry remuneration reports, and comparison with industry peers. As a result of the bench-marking exercise, the Board approved an amendment to the CEO remuneration with effect 1 July 2023.

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 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 2023 and to the date of this report, no shares, options or rights have been granted or awarded.

B. Remuneration details

The KMP of the Group during the year ended 31 December 2023 consisted of the Directors (see pages 8 to 10 above) and the Chief Financial Officer (CFO). Details of the remuneration of the KMP of the Company are as follows:

2023	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	73,059	-	-	7,854	-	80,913
Roseanne Healy	8,923	-	-	982	-	9,905
Executive Director						
Ashok Naveinthiran	262,500	-	-	28,375	-	290,875
Former Directors						
Lubna Matta *(1/1/2023 – 8/11/2023)*	31,531	-	-	3,376	-	34,907
John Kaminsky *(1/1/2023 – 30/3/2023)*	9,205	-	-	966	-	10,171
Other KMP						
Chris Hayes, CFO[1]	125,160	-	25,000	16,518	-	166,678
Glenn Raines, CFO[2]	145,545	-	-	15,145	-	160,690
Total	**655,923**	**-**	**25,000**	**73,216**	**-**	**754,139**

1. Chris Hayes commenced with effect from 18 July 2023.
2. Glenn Raines resigned with effect 22 August 2023.

Whilst all KMP contracted remuneration for the year ended 31 December 2023 was fixed, Chris Hayes was awarded an STI amount of $25,000 in accordance with the terms of his contract.

B. Remuneration details (continued)

2022	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&2]	189,153	17,636	-	43,179	125,946	375,914
Michelle Clarke[3]	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. On 22 December 2023, the Company announced that it had received the final settlement amount from Dean Clarke, which included $111,327 as a repayment of termination benefits paid by the Company to Dean Clarke.
3. Michelle Clarke ceased being a director on 22/8/2022. Her 'Cash salary & fees' included $120,000 for her executive role of Quality & Integration Officer, formalised via a written consultancy agreement.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed Remuneration		At Risk - STI		At risk - LTI	
	2023	2022	2023	2022	**2023**	**2022**
Non-Executive Directors						
David Niall	100%	100%	-	-	-	-
Roseanne Healy	100%	100%	-	-	-	-
Lubna Matta	100%	100%	-	-	-	-
John Kaminsky	100%	100%	-	-	-	-
Peter Lowe	-	100%	-	-	-	-
Dean Clarke	-	100%	-	-	-	-
Michelle Clarke	-	100%	-	-	-	-
Executive Director						
Ashok Naveinthiran	100%	100%	-	-	-	-
Other KMP						
Chris Hayes	85%	-	15%	-	-	-
Glenn Raines	100%	100%	-	-	-	-

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 2023:

Ashok Naveinthiran, Chief Executive Officer

- Employment contract: Permanent ongoing
- Commencement date: 22 August 2022
- Remuneration: $325,000 p.a. plus superannuation, reviewable annually (increased with effect from 1 July 2023).
- Executive's (and Group's) notice period: 6 months

Ashok is entitled to a potential short-term incentive (STI) of up to $97,500 per annum (plus superannuation) with effect from 1 January 2024, representing 30% of his annual base remuneration. The STI is subject to achievement of Key Performance Indicators (KPIs) to be determined from time to time by the Board.

Ashok is entitled to a potential long-term incentive (LTI) annual allocation of Performance Rights pursuant to the terms of the Company's ESOP. An LTI entitlement of 30% of annual base remuneration can be awarded to him commencing for the year ended 31 December 2024 (CY24). Subject to shareholder approval, the LTI will be granted on an annual basis from CY24, and vesting will be contingent on the achievement of specific performance hurdles.

Chris Hayes, Chief Financial Officer

- Employment contract: Permanent ongoing
- Commencement date: 18 July 2023
- Remuneration: $275,000 p.a. plus superannuation, reviewable annually
- Executive's (and Group's) notice period: 3 months

Chris is entitled to a potential short-term incentive (STI) of up to $55,000 per annum (plus superannuation), representing 20% of his annual base remuneration. The STI is subject to achievement of Key Performance Indicators (KPIs) to be determined from time to time by the Board.

Chris is entitled to a potential long-term incentive (LTI) annual allocation of Performance Rights pursuant to the terms of the Company's ESOP. An LTI entitlement of 20% of annual base remuneration can be awarded to him commencing for the year ended 31 December 2024 (CY24). The LTI will be granted on an annual basis from CY24, and vesting will be contingent on the achievement of specific performance hurdles.

Glenn Raines, Chief Financial Officer

- Employment contract: Resigned with effect 22 August 2023
- Commencement date: 28 November 2016
- Remuneration: $195,000 p.a. plus statutory superannuation, reviewable annually
- Executive's (and Group's) notice period: 3 months

Other information

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

Issue of Shares, Option and Performance Rights

There were no Shares, Options over Shares or Performance Rights over Shares issued to Directors and other KMP as part of compensation during the year ended 31 December 2023. 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 Shares in the Company held by KMP during the year ended 31 December 2023, 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	22,988	-	-	22,988
Ashok Naveinthiran	-	-	-	-
Roseanne Healy (appointed 8/11/2023)	-	-	-	-
Former directors				
Lubna Matta (1/1/2023 – 22/8/2023)[1]	-	-	-	-
John Kaminsky (1/1/2023 – 30/3/2023)[1]	150,264	-	(150,264)	-
Other KMP				
Chris Hayes (appointed 18/7/2023)	-	-	-	-
Glenn Raines (1/1/2023 –22/8/2023)[1]	193,571	-	(193,571)	-
	366,823	**-**	**(343,835)**	**22,988**

1. The balance disclosed in the "Other" column represents KMP shareholding on the date of ceasing to be a member of key management personnel.

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 Shares of Mayfield under option at the date of this report.

Shares issued on the exercise of options

There were no Shares of Mayfield 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.

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Company paid a premium in respect of a contract to insure the Directors, Officers and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

During the financial year the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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:

	2023 $	2022 $
Non-audit services		
Preparation of income tax returns and related matters	**40,350**	38,950
Total fees for non-audit services	**40,350**	38,950

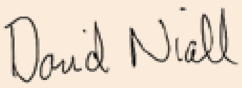
Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 18.

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
Chair

Melbourne
29 February 2024

PKF Melbourne Audit & Assurance Pty Ltd
ABN 75 600 749 184
Level 15, 500 Bourke Street
Melbourne, Victoria 3000

T: +61 3 9679 2222
F: +61 3 9679 2288
info@pkf.com.au
pkf.com.au

AUDITOR'S INDEPENDENCE DECLARATION 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 2023, 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.

This declaration is made in respect of Mayfield Childcare Limited and the entities it controlled during the financial period.

PKF

PKF Melbourne
29 February 2024

Kaitlynn Brady

Kaitlynn Brady
Partner

Financial Report

For the year ended 31 December 2023

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 29 February 2024.

A copy of this Financial Report may be obtained from the websites of either the ASX (www.asx.com.au) or Mayfield Childcare Limited (www.mayfieldchildcare.com.au).

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	2023 $	2022 $
Revenue	5	**77,199,169**	70,481,287
Net loss on disposal of centre		**-**	(53,591)
Other income	5	**440,760**	-
Employee costs	6	**(49,270,487)**	(40,629,613)
Centre operations costs		**(8,417,740)**	(5,316,055)
Facilities costs		**(4,684,128)**	(2,729,748)
Administration costs		**(1,806,774)**	(1,618,731)
Misappropriated funds		**-**	(105,019)
Depreciation and amortisation of plant and equipment	9	**(1,322,714)**	(1,072,298)
Depreciation charge on right-of-use assets	14(c)	**(9,595,201)**	(8,978,310)
Bad debts written off		**(277,164)**	-
Finance costs		**(4,497,063)**	(3,468,426)
(Loss) / Profit before income tax		**(2,231,342)**	6,509,496
Income tax benefit / (expense)	7	**796,746**	(1,632,755)
(Loss) / Profit after income tax for the year entirely attributable to the owners of Mayfield Childcare Limited		**(1,434,596)**	4,876,741
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year entirely attributable to the owners of Mayfield Childcare Limited		**(1,434,596)**	4,876,741

	Note	Cents	Cents
Basic and diluted (losses)/earnings per share	25	(2.20)	7.58

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 2023

	Note	31 December 2023 $	31 December 2022 $
Assets			
Current assets			
Cash and cash equivalents		**362,665**	2,656,793
Trade and other receivables	8	**2,993,015**	3,980,931
Prepayments		**571,311**	596,983
Current tax receivables		**183,593**	-
Total current assets		**4,110,584**	7,234,707
Non-current assets			
Plant and equipment	9	**4,454,576**	3,856,989
Intangibles	10	**78,689,201**	74,110,630
Right-of-use assets	14(c)	**144,320,822**	131,410,100
Deferred tax	11	**4,127,405**	2,607,662
Other		**5,300**	-
Total non-current assets		**231,597,304**	211,985,381
Total assets		**235,707,888**	219,220,088
Liabilities			
Current liabilities			
Trade and other payables	12	**4,160,117**	4,729,031
Contract liabilities		**1,110,780**	812,450
Borrowings	13	**7,546,600**	-
Lease liabilities		**6,822,528**	6,353,786
Current tax liabilities		-	367,931
Provisions	15	**4,494,554**	2,433,596
Total current liabilities		**24,134,579**	14,696,794
Non-current liabilities			
Borrowings	13	-	4,326,600
Lease liabilities		**146,044,615**	130,411,873
Provisions	15	**145,303**	106,135
Total non-current liabilities		**146,189,918**	134,844,608
Total liabilities		**170,324,497**	149,541,402
Net assets		**65,383,391**	69,678,686
Equity			
Contributed equity	16(b)	**60,618,740**	60,618,740
Retained earnings		**4,764,651**	9,059,946
Total equity		**65,383,391**	69,678,686

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

Consolidated statement of changes in equity for the year ended 31 December 2023

	Share Capital $	Retained Earnings $	Total $
2022			
Balance as at 1 January 2022	58,469,660	7,222,992	65,692,652
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
Transactions with owners in their capacity as owners			
Contributions of equity, net of transaction costs (Note 16(b))	2,149,080	-	2,149,080
Dividend paid	-	(3,039,787)	(3,039,787)
Balance as at 31 December 2022	60,618,740	9,059,946	69,678,686

	Share Capital $	Retained Earnings $	Total $
2023			
(Loss) after income tax expense for the year	-	**(1,434,596)**	**(1,434,596)**
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	**(1,434,596)**	**(1,434,596)**
Transactions with owners in their capacity as owners			
Dividends paid	-	**(2,860,699)**	**(2,860,699)**
Balance as at 31 December 2023	**60,618,740**	**4,764,651**	**65,383,391**

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

Consolidated statement of cash flows for the year ended 31 December 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers, including government funding		76,862,501	68,455,376
Payments to suppliers and employees		(63,166,413)	(50,280,069)
		13,696,088	18,175,307
Other receipts		831,990	851,506
Interest paid on lease liabilities		(3,617,614)	(3,035,579)
Net interest paid on borrowings		(882,169)	(430,835)
Net income tax paid		(1,274,521)	(3,094,688)
Misappropriated funds		-	(105,019)
Recovery of misappropriations and termination benefits	5	440,760	
Net cash inflow from operating activities	23	9,194,534	12,360,692
Cash flows from investing activities			
Proceeds from the disposal of centre, net of costs		-	230,928
Proceeds from the disposal of plant and equipment		250	29,769
Payments for plant and equipment		(1,910,767)	(1,291,852)
Payments for purchases of businesses plus associated costs	17	(4,379,437)	(62,658)
Net cash (outflow) from investing activities		(6,289,954)	(1,093,813)
Cash flows from financing activities			
Repayment of lease liabilities		(6,401,719)	(5,668,850)
Drawdown/(Repayment) of borrowings		4,063,710	(4,159,081)
Dividends paid		(2,860,699)	(998,024)
Share issue costs		-	(49,227)
Net cash (outflow) from financing activities		(5,198,708)	(10,875,182)
Net (decrease) / increase in cash and cash equivalents		(2,294,128)	391,697
Cash and cash equivalents at the beginning of the year		2,656,793	2,265,096
Cash and cash equivalents at the end of the year		362,665	2,656,793

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

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 1. Summary of material accounting policy information

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.

Going concern
The Group's current liabilities exceed current assets at reporting date by $20.0 million (31 December 2022: $7.5 million). The position as at reporting date is to be considered in noting the following :

- This included $6.8 million of lease liabilities which are expected to be settled through operating cash flows earned in the next twelve months.
- The Current Liabilities include $7.5 million of borrowings that has been re-classified from Non-Current to Current at balance date as a result of the Company being non-compliant with two of its financial covenants under its Finance Facility (Note 2(c) & Note 13).
- Subsequent to the Reporting Period end, the Company's Lender has confirmed that whilst the Lender reserves it rights under the Facility in connection with the non-compliance, the Lender has confirmed that it will not cancel or recall the facilities solely as a consequence of the non-compliance within a 12 month period from the signing of the 31 December 2023 Financial Report provided that there are no further breaches of covenants or undertakings by the Company and no events of default. No principal repayments are due in the next twelve months in accordance with the Facility Agreement.
- The Group had an underlying EBITDA (after reversing the impact of AASB 16 Leases) of $2.3 million in the six months ended 31 December 2023 ($0.8 million in six months ended 30 June 2023) demonstrating the Group's return to improving profitability and the contribution newly acquired Centres. The Group has prepared a cashflow forecast for the next 12 months which indicates positive operating cash flows supported by improving occupancy concentration on cost management accompanied by competitive fee pricing.
- The Group generated a net operating cash inflow of $9.2 million during the current reporting period and is forecasting that it will continue to generate improved net operational cash inflow, and be profitable, for the next 12 months.
- The Group had up to $4.9 million (at reporting date) available to be drawn down from its Business Loan facility for working capital requirements. Additionally, the Group has approval to drawdown approximately $4.4 million under the Acquisition Facility related to the acquisition of centres completed during the reporting period subject to the conditions precedent being met in accordance with the Facility Agreement and also the new centres being included as part of the security structure for the group.
- The Company has strong banking relationships and access to equity capital markets as an alternative source of funding. The Company has the ability fund acquisition growth through the issue of equity.

In consideration of the above, the Directors have prepared the 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. There were no material changes as a result of accounting standards and interpretations adopted.

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 2023

Note 1. Summary of material accounting policy information (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 2023 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.

(c) Business combinations

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.

(i) 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.

Performance obligations

Provision of childcare services

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.

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.

(ii) 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.

(e) Income tax

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.

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 1. Summary of material accounting policy information (continued)

(f) Trade and other receivables

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

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.

(g) 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.

(h) 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.

(i) 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.

(j) 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 14).

The Group records a non-current ROUA and both a current and non-current liability for every applicable lease upon inception. 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. 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.

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.

(k) 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.

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 1. Summary of material accounting policy information (continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

Notes to the consolidated financial statements for the year ended 31 December 2023

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 2023 $	31 Dec 2022 $
Financial assets			
Cash and cash equivalents		**362,665**	2,656,793
Trade and other receivables	8	**2,993,015**	3,980,931
		3,355,680	6,637,724
Financial liabilities			
Trade and other payables	12	**4,160,117**	4,729,031
Borrowings	13	**7,546,600**	4,326,600
Lease liabilities	14	**152,867,143**	136,765,659
		164,573,860	145,821,290

(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 2023 the interest rates on the Group's loan facilities were as follows:

- $11,919,000 facility at 0.75% line fee plus 6.3482% variable on $7,046,600 drawn; and
- $12,388,000 facility at 0.75% plus 6.2706% 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 6.49% (2022: 3.90%).

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 2023

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 2023 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 2023 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 2023 $	31 Dec 2022 $
Westpac Banking Corporation			
Variable rate loan/s (available for working capital requirements)		**4,872,400**	10,192,400
Variable rate loan (available only for centre acquisitions, subject to meeting lending criteria)		**11,888,000**	14,072,000
	13	**16,760,400**	24,264,400

Maturity of Financial Liabilities (excluding Leases)

The following table analyses the Group's financial liabilities, excluding leases (refer Note 14), 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 2023	Within 1 year $	Between 1 and 2 years[1] $	Between 2 and 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
Trade and other payables	**4,160,118**	–	–	**4,160,118**	**4,160,118**
Borrowings	**646,262**	**7,961,279**	–	**8,607,541**	**7,546,600**
Total financial liabilities (excluding Lease liabilities)	**4,806,380**	**7,961,279**	–	**12,767,659**	**11,706,718**

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	10,069,669	9,055,631

Note 1: the Loan Facility is due for renewal 02/08/2025 (Note 13).

Notes to the consolidated financial statements for the year ended 31 December 2023

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 10).

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 ROUA's 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 2023, 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 2023

Note 5. Revenue

	2023 $	2022 $
Revenue from contracts with customers		
Childcare services	76,508,307	68,978,712
Other revenue		
Other revenue	690,862	1,469,882
Gain on disposal of property lease	-	32,693
	77,199,169	70,481,287
Other revenue includes:		
Business interruption insurance claim income	401,149	1,365,012
Other Income		
Recovery of misappropriated funds[1]	440,760	-

Note 1: The amount of $440,760 includes $329,433 for alleged misappropriations, $111,327 in respect of a termination payment by the Company to the former CEO as part of his employment termination and $5,926 for other items. These amounts relate to periods prior to the current reporting period. An additional $612,338 was received in respect of investigation costs incurred in the current reporting period that have been offset directly against the relevant expense accounts. The total amount received under the settlement with the former CEO was $1,059,024.

Note 6. Employee Costs

Included within Employee Costs are defined contribution plan expenses of $4,382,501 (2022: $3,446,183).

Note 7. Income tax expense

	2023 $	2022 $
Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/Profit before income tax	(2,231,342)	6,509,496
Tax expense at the statutory rate of 30.0%	669,403	(1,952,849)
Tax effect of amounts which are not taxable/(taxable) in calculating taxable income		
Prior year refund due to change of tax rate	72,756	305,637
Share issue costs	-	40,717
Non-deductible revenue/(expenses)	(8,688)	(19,239)
Prior period adjustment	46	(7,021)
Change of tax rate on carried forward deferred tax asset	-	–
Acquisition costs	63,229	–
Income tax benefit/(expense)	796,746	(1,632,755)
Weighted average tax rate	35.7%	25.1%

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 8. Current assets — Trade and other receivables

	2023 $	2022 $
Trade receivables	**2,488,584**	2,034,722
Less: Provision for impairment of trade receivables	**(344,553)**	(269,707)
	2,144,031	1,765,015
GST receivable (net)	**163,241**	254,053
Other receivables	**685,743**	1,961,863
	2,993,015	3,980,931

Impaired trade receivables

Trade receivables were assessed for impairment as at reporting date. The allowance for expected credit losses recognised during the year was $352,011 (2022: $135,627). Movements in the allowance for expected credit losses of trade receivables are as follows:

Opening balance	**269,707**	134,080
Allowance for impairment recognised during the year	**352,011**	135,627
Bad debts written off during the year	**(277,165)**	-
Closing balance	**344,553**	269,707

Past due but not impaired

As at reporting date, customers with balances more than 30 days overdue but assessed as not being impaired totalled $415,783 (2022: $192,557). 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	**163,224**	110,917
3 to 6 months	**54,409**	47,877
More than 6 months	**198,150**	33,763
	415,783	192,557

Other receivables

Other receivables include:

Unsecured loan to related parties (Note 21)	**459,378**	**1,303,088**

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 9. Non-current assets — Plant and equipment

	2023 $	2022 $
Plant and equipment		
Plant and equipment – at cost	**8,539,245**	6,656,104
Less: Accumulated depreciation	**(4,084,669)**	(2,799,115)
Net book amount	**4,454,576**	3,856,989

Reconciliation of plant and equipment		
Opening net book amount at beginning of year	**3,856,989**	3,808,838
Additions	**1,902,439**	1,393,531
Transfer in from Leases – Motor Vehicles (Note 14(c))	-	21,016
Adjustments from finalised prior period business combinations	-	3,363
Net additions through business combinations (Note 17)	**55,186**	-
Disposals	**(37,324)**	(195,781)
Derecognised upon identification of misappropriated funds	-	(101,680)
Depreciation expense	**(1,322,714)**	(1,072,298)
Closing net book amount at end of year	**4,454,576**	3,856,989

Note 10. Non-current assets — Intangibles

	2023 $	2022 $
Goodwill — at cost	**78,682,929**	74,110,630
Other	**6,272**	
	78,689,201	74,110,630
Reconciliation		
Balance at beginning of year	**74,110,630**	82,611,833
Additional purchase consideration adjustments	-	(8,400,000)
Disposal of centre	-	(100,490)
Adjustments from finalised prior period business combinations	-	(713)
Additions through business combinations (Note 17)	**4,572,299**	–
Balance at end of year	**78,682,929**	74,110,630

Additional purchase consideration adjustments

During the current reporting period, the Company entered into four Business Sale Agreements to acquire four childcare centre businesses. As at the date of this report, the Enoggera transaction was yet to formally complete and remained subject to certain conditions subsequent between the parties which are expected to be satisfied in the near future (Note 17).

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 10. 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 5.25% (Dec 2022: 4.0%);
- Employee expenses growth of 4.5% (Dec 2022: 3.75%);
- All other expenses growth of 3.75% – 4.5% (Dec 2022: 3.5%);
- Discount rate (pre-tax) of 15.5% (Dec 2022: 16.0%); and
- Terminal growth rate of 2.5% (Dec 2022: 2.25%), 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 3.85% p.a. over the next 5 years, with long term growth steady at 2.5% p.a. beyond that
- Annual employee expenses growth of more than 4.35% p.a.
- Discount rate (pre-tax) increased to more than 16.5%.

In its impairment review, the Board has concluded that no impairment is required to the carrying amount of goodwill at 31 December 2023.

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 11. Non-current assets – Deferred tax

	2023	2022
	$	$
Deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property leases	**2,563,896**	1,606,668
Employee benefits and other expenses	**1,679,980**	1,000,898
Share issue costs	**81,228**	122,416
Impairment of receivables	**103,366**	80,912
Audit fee accruals	**24,000**	39,000
Deferred revenue	**-**	34,873
Expenses deductible in future periods	**16,066**	-
Borrowing costs	**1,632**	(349)
Prepayments	**(41,234)**	-
Adjustment recognised for prior period	**-**	(31,981)
Plant and equipment	**(301,529)**	(244,775)
	4,127,405	2,607,662

Management believes that forecast future profits will be sufficient to recover deferred tax assets recognised at 31 December 2023.

Note 12. Current liabilities – Trade and other payables

	2023	2022
	$	$
Trade payables	754,405	455,971
Other payables	3,405,712	4,273,060
	4,160,117	4,729,031

Note 13. Current & Non-current liabilities – Borrowings

Current	7,546,600	-
Non-current	-	4,326,600
	7,546,600	4,326,600
Bank loans		
Balance at beginning of year	4,326,600	8,076,600
Net drawdowns / (repayments)	3,220,000	(3,750,000)
Balance at end of year	7,546,600	4,326,600

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	24,307,000	28,591,000
Less amount used	(7,546,600)	(4,326,600)
Unused loan facility	16,760,400	24,264,400

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 13. Current & Non-current liabilities – Borrowings (continued)

The total bank loan facility available reduces by $357,000 on a monthly basis until the loan facility matures on 2 August 2025. Of the $16.76 million unused, $11.89 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 $4.87 million (at reporting date) available to be drawn down from its lending facility for working capital requirements.

As at 31 December 2023, the company has re-classified the amount drawn down under the Facility ($7.5 million) as current. This is on the basis that the company is not in compliance with certain financial covenants for the covenant reporting period ended 31 December 2023 (CY23). This is a result of the following significant matters as announced to shareholders during the reporting period:

- the impact of challenging trading conditions primarily in the form of abnormal items and inflationary cost pressures experienced in the first half of the CY23 year; and
- the impact of accruing $1.39 million as at 31 December 2023 to address potential regulatory concerns relating to a non-compliant fee billing policy implemented by prior management in 2018. The Company has determined it is appropriate to raise the provision as it reflects historic amounts received in funding that Mayfield may not have been entitled to receive and may be required to repay.

The relevant ratios where the Company has reported to its Lender that it will be non-compliant are:

- The Group's Fixed Charge Cover Ratio (FCCR). The covenant requires the FCCR to be not less than 1.50 times. The FCCR is calculated as the sum of: EBITDA (where EBITDA is adjusted to exclude the application of AASB 16 Leases), plus operating lease expense, plus rent expense divided by the sum of: gross interest expense, plus operating lease expense, plus rent expense.
- The Group's Financial Debt to EBIT ratio. The covenant requires Financial Debt to be less than 3.25 times EBIT (where EBIT is adjusted to exclude the application of AASB 16 Leases).

The Company has been in regular discussions with its Lenders during and subsequent to the reporting period ended 31 December 2023 regarding its compliance with its covenants under the Facility Agreement. Subsequent to the Reporting Period end, the lender has confirmed that whilst the Lender reserves it rights under the Facility in connection with the identified breaches, the Lender has confirmed that it will not cancel or recall the Facility solely as a consequence of the breaches within a 12 month period from the date of signing the 31 December 2023 Financial Report provided that there are no further breaches of covenants or undertakings by the Company and no events of default. This is detailed within Note 2(c) Maturity of Financial Liabilities.

Assets pledged as security

The bank loan of $7.5 million (2022: $4.3 million) is secured by a first ranking security held by the Lender over the assets and undertakings of Mayfield Childcare Limited and its wholly owned subsidiaries.

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	**(4,155,505)**	(3,609,725)
Unused guarantee facility	**344,495**	890,275

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 14. Current & Non-current liabilities – Lease liabilities

The Group has lease contracts for each of its childcare centres and its head office premises. These leases generally have lease terms between 5 and 30 years. Several lease contracts include extension and termination options. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Some lease contracts contain variable payments based on measures such as market reviews and annual CPI inflation while others contain fixed annual increases.

(a) Expenses	2023 $	2022 $
Expenses from transactions not recognised as leases:		
Rental expense relating to leases of low-value assets	**43,739**	34,240
Interest expense on lease liabilities	**3,614,894**	3,037,341

(b) Cash flows		
Total cash outflow for leases	**10,019,334**	8,704,429

(c) Right-of-use assets		
Right-of-use assets	**173,394,068**	150,888,145
Less: Accumulated depreciation	**(29,073,246)**	(19,478,045)
Net book amount at end of year	**144,320,822**	131,410,100

Reconciliation		
Opening net book amount at beginning of year	**131,410,100**	133,539,678
Increase due to new leases entered into	**12,256,243**	-
Increase due to addition of next further term	**7,364,213**	5,760,160
Increase due to remeasurement of lease liabilities upon increase of variable lease payments	**2,885,467**	1,903,631
Increase due to market reviews	-	132,170
Transfer out on reclassification upon completion of finance leases (Note 9)	-	(21,016)
Decrease on temporary cessation of lease payments	-	(330,501)
Decrease on disposal of lease	-	(595,712)
Depreciation charge	**(9,595,201)**	(8,978,310)
Closing net book amount at end of year	**144,320,822**	131,410,100

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 2023	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	10,934,169	11,184,089	34,053,759	136,880,746	193,052,763	152,867,143

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 14. 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 14.9 years (Dec 2022: 12.7 years).

Including all further terms, the weighted average term increases to 30.1 years (Dec 2022: 28.3 years).

Note 15. Provisions

	2023 $	2022 $
Current	**4,494,554**	2,433,596
Non-current	**145,303**	106,135
	4,639,857	2,539,731
Consisting of:		
Employee entitlements		
Balance at beginning of year	**2,539,731**	2,767,001
Net (decrease)/increase	**657,404**	(227,270)
Balance at end of year	**3,197,135**	2,539,731
Other Provisions		
Balance at beginning of year	**-**	-
Net (decrease)/increase	**1,442,722**	-
Balance at end of year	**1,442,722**	-

Other provisions includes $1,387,723 to reflect historical amounts received in funding that Mayfield may not have been entitled to receive, due to a non-compliant fee billing policy implemented in 2018 (Note 5). This amount has been recorded as a reduction to Childcare Services revenue. This policy has since been rectified.

Note 16. 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 2023.

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 2023

Note 16. 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 2022	Opening 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	Balance	65,312,704	60,618,740
31 Dec 2023	**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 2023. 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.

Dividends
No dividend has been declared or approved for payment for the financial year ended 31 December 2023.

	2023 $	2022 $
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022: 30%)	**6,055,301**	4,780,803

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

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 17. Business combinations

During the current reporting period, the Company entered into four Business Sale Agreements to acquire four childcare centre businesses. Three of the centres were acquired from a related party company Genius Learning Pty Ltd. The fourth acquisition (Gordonvale) was via an unrelated vendor.

Location	Just Kids Gordonvale (QLD)	Genius Childcare Home Hill[1] (QLD)	Genius Childcare Sandringham[1] (VIC)	Genius Childcare Enoggera[1] (QLD)	Total
Number of Centres	1	1	1	1	4
Licenced Places	75	80	60	79	294
Acquisition Date	6/2/2023	1/3/2023	1/3/2023	19/5/2023	-

1. Centres acquired from Genius Learning Pty Ltd.

The provisional fair values ascribed to the assets acquired and liabilities assumed are as follows:

	$	$	$	$	Total $
Goodwill	1,112,168	1,309,062	1,205,069	946,000	4,572,299
Right-of-use assets	1,506,601	2,753,753	5,021,919	2,973,970	12,256,243
Property lease liability	(1,506,601)	(2,753,753)	(5,021,919)	(2,973,970)	(12,256,243)
Plant and equipment	-	34,658	8,401	12,127	55,186
Sundry Debtor	-	28,477	18,841	-	47,318
Other Creditors	-	(22,477)	(14,341)	-	(36,818)
Provisions for employee benefits	(42,168)	(81,628)	(47,639)	(39,331)	(210,766)
Acquisition-date fair value of total consideration paid in cash	**1,070,000**	**1,268,092**	**1,170,331**	**918,796**	**4,427,219**

There are no further fundamental changes expected to the fair values ascribed to the assets and liabilities assumed.

Note 18. 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	**2023 %**	2022 %
Genius Education Pty Ltd	Australia	Ordinary	**100**	100

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 19. Key management personnel (KMP) disclosures

	2023 $	2022 $
Aggregate compensation made to directors and other KMP of the Group:		
Short-term employee benefits	**680,923**	766,313
Long-term benefits	**73,216**	92,202
Termination benefits[1]	-	125,946
	754,139	984,461

1. On 22 December 2023, the Company announced that it had received the final settlement amount from the former CEO Dean Clarke, which included $111,327 as a repayment of eligible termination benefits paid by the Company to the former CEO on his termination. Detailed remuneration disclosures are provided in the Directors' Report, within sections A to D of the Remuneration Report.

Note 20. Remuneration of auditor

	2023 $	2022 $
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]	**175,124**	161,050
Non-audit services		
Preparation of income tax returns and related matters	**40,350**	38,950
Total fees of PKF Melbourne and its related practices	**215,474**	200,000

1. The costs recorded for audit in 31 December 2022 and 31 December 2023 were significantly impacted by the additional works required as part of the investigations in CY23 associated with the identified misallocations and misappropriations related to the year ended 31 December 2022 and prior periods.

Note 21. Related party transactions

Parent entity
The parent entity of the Group is Mayfield Childcare Limited.

Subsidiaries
Please refer to Note 18 for details of the Company's interests in subsidiaries.

Transactions with related parties
Acquisitions in the period from Genius Learning Pty Ltd (a related party of Genius Education Holdings Pty Ltd, a major shareholder of Mayfield Childcare Limited)

During the current reporting period the Company's subsidiary Genius Education Pty Ltd (Genius Education) acquired three centres from Genius Learning Pty Ltd (Genius Learning). The details of the acquisitions are disclosed in Note 17. The total consideration paid in relation to the acquired centres was $3,357,219. Management fees were also paid to Genius Learning totalling $10,500 in relation to two of the centres acquired during the period as part of the transition arrangements. The services were provided on commercial terms.

Loans to Genius Learning Pty Ltd

As disclosed in prior reporting periods, as a result of prior and current period services between the parties there has accumulated an unsecured loan receivable which at reporting date totalled $459,378 (31 December 2022: $1,303,088). With the balance of the receivable due within two 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 related party services beyond the current reporting date.

An additional $201,501 is owed by Genius Learning to Genius Education in relation to amounts net of income / expenses that were collected / incurred by Genius Learning during the transition period for three centres acquired by Genius Education during the current reporting period. As this balance is past due at 31 December 2023, the invoiced amounts have been classified as a current asset and are included within Trade and other receivables.

Notes to the consolidated financial statements for the year ended 31 December 2023

Note 21. Related party transactions (continued)

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 22. Commitments

Capital commitments

The Group has no capital commitments as at reporting date (31 December 2022: None)

Note 23. Reconciliation of profit after income tax to net cash from operating activities

	2023 $	2022 $
(Loss) / Profit after income tax	**(1,434,596)**	4,876,741
Depreciation	**10,917,915**	10,050,608
Impairment charge on trade receivables	**352,010**	135,627
Net Loss on Disposal of Centre	**-**	53,591
Net loss/(gain) on disposal of non-current assets	**37,072**	(28,794)
Gain on disposal of property lease	**-**	(32,693)
Borrowing costs	**882,169**	-
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	**74,661**	(2,063,835)
Decrease in other operating assets	**25,672**	317,082
(Increase) in deferred tax assets	**(1,519,743)**	(1,151,387)
(Decrease)/Increase in trade and other payables	**(654,123)**	804,960
Increase/(Decrease) in contract liabilities	**298,330**	(63,212)
(Decrease) in current tax liabilities	**(653,885)**	(310,727)
Increase/(Decrease) in provisions	**869,052**	(227,269)
Net cash inflow from operating activities	**9,194,534**	12,360,692

Note 24. Events occurring after the reporting period

No other matter or circumstance has arisen since 31 December 2023 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 2023

Note 25. Earnings / (loss) per share

	2023 Cents	2022 Cents
Basic and diluted (losses) / earnings per share	**(2.20)**	7.58

	Number	Number
Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	**65,312,704**	64,295,400

	$	$
Earnings used in calculating basic and diluted earnings per share		
(Loss) / Profit after tax attributable to the ordinary equity holders of the Company	**(1,434,596)**	4,876,741

Note 26. Contingencies

In relation to the $1.39 million provision raised in Note 15, there is the potential for the Group to be levied with fines and/or penalties, the likelihood and value of which are unable to be estimated at the date of this report.

Other than the above, the Group has no contingent liabilities as at reporting date (31 December 2022: None).

Note 27. Parent entity financial information

	2023 $	2022 $
(a) Summary financial information		
Balance sheet		
Current assets	**2,111,017**	3,135,143
Total assets	**118,096,801**	114,337,610
Current liabilities	**17,590,073**	11,326,132
Total liabilities	**51,444,289**	45,501,260
Shareholders' equity		
Issued capital	**60,618,740**	60,618,740
Retained earnings	**6,033,772**	8,282,203
	66,652,512	68,900,943
Profit or loss for the year	**982,363**	4,013,186
Total comprehensive income	**982,363**	4,013,186
(b) Guarantees entered into by the parent entity	**2,248,481**	1,757,442

The parent entity has utilised its bank guarantee facility with Westpac (Note 13) to provide bank guarantees to its subsidiary's landlords.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 20 to 43 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 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

David Niall
Chair

Melbourne
29 February 2024

PKF Melbourne Audit & Assurance
Pty Ltd ABN 75 600 749 184
Level 15, 500 Bourke Street
Melbourne, Victoria 3000

T: +61 3 9679 2222
F: +61 3 9679 2288
info@pkf.com.au
pkf.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAYFIELD CHILDCARE LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Mayfield Childcare Limited (the Company) and its controlled entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the Directors' Declaration of the Group.

In our opinion, the accompanying financial report of the Group 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 2023 and of its financial performance for the year ended on that date; 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 and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Key audit matter	*How our audit addressed this matter*
Impairment of goodwill and indefinite life intangible assets As at 31 December 2023, the carrying value of goodwill and indefinite life intangible assets totalled $78,689,201 (2022: $74,110,630), as disclosed in note 10 of the financial report. The accounting policy in respect to these assets is outlined in note 1 (i) *Intangible Assets.* An annual impairment test for goodwill and other indefinite life intangible assets is required under AASB 136 *Impairment of Assets*. Management's testing has been performed using a discounted cash flow model (Impairment Model) to estimate the value-in-use of the Cash-Generating Unit (CGU) to which these intangible assets have been allocated. The evaluation of the recoverable amount required the Group to exercise significant judgement in determining key assumptions, which include: • 5-year cashflow forecast • Occupancy rates • Childcare fees • Employee expenses • Terminal growth factor, and • Discount rate. The outcome of this impairment assessment could vary if different assumptions were applied. Due to these factors, we consider the impairment of goodwill and indefinite life intangible assets to be a Key Audit Matter.	Our audit procedures included, but were not limited to, assessing and challenging: • The appropriateness of Management's determination that a single CGU is appropriate in assessing impairment, • The application of an indefinite useful life to these intangible assets, • The integrity and mathematical accuracy of the Impairment Model, • The reasonableness of the cash flow budget approved by the Directors, comparing to actual results, and considering trends, strategies, and outlooks, • The reasonableness of inputs into the Impairment Model, • The short and medium term growth rates applied in the forecast cash flow, considering historical results and available industry data, • Management's sensitivity analysis around the key assumptions within the cash-flow projections, to consider the likelihood of such movements occurring sufficient to give rise to impairment, • The appropriateness of the disclosures in the financial report.

Key audit matter	*How our audit addressed this matter*
Classification and disclosure of financial liabilities As outlined in note 13 of the financial report, the Group held a market rate loan facility of $24,307,000, with a utilised amount of $7,546,600 and an unutilised amount of $16,760,400 at 31 December 2023. As at the reporting date, Management have reclassified the borrowings as current liabilities due to non-compliance with certain covenants for the December reporting period. The disclosure relating to this reclassification are further outlined in note 13 of the financial report. Due to the materiality of the facility and judgement required to consider the accuracy of the classification and completeness of disclosures in relation financial liabilities, we have considered this a Key Audit Matter.	Our audit procedures included, but were not limited to, assessing and challenging: • Confirmed the loan balance held through direct third-party confirmation from the lender, • Reviewed and considered the quality and timing of the documentation and related audit evidence supporting the classification of the borrowings as current liabilities as at 31 December 2023, • Reviewed correspondence between the bank and Management during and subsequent to year end, • Reviewed the accuracy of Management's covenant reporting during the year, and • Reviewed disclosures within the financial report in line with the requirements under relevant accounting standards

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 2023 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 an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we 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 information, we are required to report that fact. We have nothing to report in this regard.

PKF

Responsibilities of Directors for the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Mayfield Childcare Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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

Kaitlynn Brady

PKF
Melbourne, 29 February 2024

Kaitlynn Brady
Partner

Shareholder Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 16 February 2024.

The Company is listed on the Australian Securities Exchange.

Distribution of equity securities

Analysis of number of listed equitable security holders by size of holding:

Fully Paid Ordinary Shares (ASX:MFD)

Range	Shares	Total Holders	% of Shares
1 to 1,000	61,407	148	19.81
1,001 to 5,000	643,135	230	30.79
5,001 to 10,000	823,823	103	13.79
10,001 to 100,000	7,170,724	216	28.92
100,001 and over	56,613,615	50	6.69
Total	**65,312,704**	**747**	**100.00**

Options Over Ordinary Shares
There were no Shares of Mayfield issued on the exercise of options during the year and to the date of this report.

Unlisted Securities Over Ordinary Shares
There were no Shares of Mayfield issued on the exercise of unlisted securities during the year and to the date of this report.

Unmarketable Parcels

	Parcel Size	Holders	Units
$500.00 parcel at $0.775 per unit	**645**	**108**	**26,554**

Equity Security Holders

The names of the twenty largest security holder of quoted equity security holders are listed below:

Fully Paid Ordinary Shares (ASX:MFD)

Holder	Number held	% of Issued Capital
Genius Education Holdings Pty Ltd	16,148,211	24.72
Riversdale Road Shareholding Company Pty Ltd <Riversdale Road Shareholding>	4,161,175	6.37
Citicorp Nominees Pty Limited	3,381,376	5.18
HSBC Custody Nominees (Australia) Limited - A/C 2	3,370,375	5.16
Riversdale Road Shareholding Company Pty Ltd <Riversdale Rd Shareholding>	2,756,927	4.22
J P Morgan Nominees Australia Pty Limited	2,585,176	3.96
National Nominees Limited	2,578,466	3.95
NSR Investments Pty Ltd <NSR Super Fund A/C>	1,880,000	2.88
Malcolm & June Ross Investments Pty Ltd	1,863,143	2.85
BNPP Noms Pty Ltd Hub24 Custodial Serv Ltd	1,729,398	2.65
Tobaka Superannuation Pty Ltd <Tobaka P/L Employees SF A/C>	1,568,849	2.40
Bnp Paribas Noms Pty Ltd	1,429,908	2.19
JT Campbell Properties Pty Ltd	1,223,877	1.87
Kewray Pty Ltd	985,969	1.51
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient>	960,998	0.87
D W & M R Clarke Pty Ltd <D W & M R Clarke Family A/C>	904,227	0.64

Forum Investments Pty Limited	800,000	1.22
Mr Michael Norman Kroger & Mr Jack Henry Kroger <The Michael Kroger Super A/C>	696,581	1.07
Kamga Pty Ltd <Kamga A/C>	620,000	0.95
NCH Pty Ltd	598,765	0.92
	50,243,421	**76.93**

Substantial holders

Fully Paid Ordinary Shares

As at 19 February 2024, the Substantial Holders of the Group and number of equity securities in which those substantial holders and their associates have a relevant interest are as follows:

Ordinary Shares	Number Held	% Of Ordinary Shares
Genius Education Holdings Pty Ltd	22,678,211	35.76%
Riversdale Road Shareholding Company Pty Ltd	9,091,010	14.34%
Malcolm and June Ross and Associated Entities	3,281,097	5.02%
	35,050,318	**55.12%**

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.

On Market Buy Back

There was no on market buy back in operation.