ASX Half-year Report

Period ended 30 June 2020

Lodged with the ASX under Listing Rule 4.2A.3

Company details

Name of reporting entity:	Mayfield Childcare Limited (“Mayfield”, “Company”)
ABN:	53 604 970 390
Reporting period:	Half-year ended 30 June 2020
Previous corresponding reporting period (pcp):	Half-year ended 30 June 2019

Contents

Results for announcement to the market

	Movement	%		$
Revenue from ordinary activities	Up	3.8	to	16,471,720
Profit from ordinary activities after tax attributable to members	Down	41.6	to	547,692
Net Profit for the period attributable to members	Down	41.6	to	547,692

Dividend type	***Amount per security (cents)***	***Franked amount per security (cents)***
Final dividend for the year ended 31 December 2019	7.71	7.71
Interim dividend	None	Not applicable

The Company has a Dividend Reinvestment Plan (DRP), shareholder participation in which is optional.

On 31 January 2020 the Company declared a dividend for the year ended 31 December 2019 of 7.71 cents per ordinary share, fully franked. As a result of the COVID-19 pandemic, on 23 March 2020 the payment of the dividend was deferred to 25 September 2020 and, pending no significant adverse changes to the financial position of the Company, the dividend is expected to be paid on that date.

Cash dividend payments are expected to total $2,190,255 and 266,899 ordinary shares are expected to be issued under the Dividend Reinvestment Plan at $0.99 per share.

Due to the pandemic the directors do not propose to recommend the payment of a dividend in respect of the half-year.

Brief explanation of Revenue

Revenues of $16.5m were up 3.8% on pcp due to:

- The flow through effect of 2019 childcare fee increases;
- Increased portfolio size;
- $3.3m JobKeeper wages subsidy being reported as revenue, rather than as an offset against expenses; and
- Reduced fee income due to the government's COVD-19 Relief Package being in effect from 6 April 2020.

Brief explanation of Profit (and Net Profit)

Net Profit After Tax (NPAT) of $548k was down 41.6% due to the impact of the COVID-19 pandemic. Please refer to the Review of Operations in the Directors' Report on pages 5 to 6 for further commentary, including a reconciliation of the above statutory result to the underlying, non-IFRS NPAT result of $664k, which is 41.0% down on pcp.

Net tangible assets

	30 Jun 2020 (cents)	*30 Jun 2019 (cents)*
Net tangible asset backing per ordinary share	**(125.37)**	(117.91)

Control over other entities

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

Associates and joint venture entities

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

Compliance statement

This report is based on accounts which were subject to review by the auditor, whose review report is attached to, and forms part of, the Interim Report.

Mayfield Childcare Limited

ABN: 53 604 970 390

Interim Report

For the Half-year ended 30 June 2020

Directors' Report

Your directors present their report on Mayfield Childcare Limited ("Mayfield", "Company") for the half-year ended 30 June 2020.

DIRECTORS

The directors of the Company in office during the half-year, and at the date of this report, are:

Peter Lowe, *Chairman*
Dean Clarke
Michelle Clarke

PRINCIPAL ACTIVITIES

During the half-year the principal activity of the Company consisted of operating long day childcare centres located in Victoria.

DIVIDENDS

On 31 January 2020 the Company declared a dividend for the year ended 31 December 2019 of 7.71 cents per ordinary share, fully franked. As a result of the COVID-19 pandemic, on 23 March 2020 the payment of the dividend was deferred to 25 September 2020 and, pending no significant adverse changes to the financial position of the Company, the dividend is expected to be paid on that date.

Cash dividend payments are expected to total $2,190,255 and 266,899 ordinary shares are expected to be issued under the Dividend Reinvestment Plan at $0.99 per share.

Due to the pandemic no dividends were recommended, declared or paid for the half-year ended 30 June 2020 and to the date of this report.

REVIEW OF OPERATIONS

During the half-year the Company's operations were adversely impacted by the COVID-19 pandemic. As awareness of the virus grew within the community, many parents began to withdraw their children from childcare, however the majority of Mayfield's parents maintained their enrolment. With the federal government declaring the early childhood education and care (ECEC) sector to be an essential service, it introduced its ECEC Relief Package with effect from 6 April 2020, through which the Company received from the government 50% of the fees charged by centres (based on the Reference Period, being the last 2 weeks of February 2020) as an ongoing weekly payment through to 12 July 2020. The federal government also introduced its JobKeeper wages subsidy programme with effect from 30 March 2020 which, combined with the Relief Package and management's efforts in maintaining effective staff rostering and tight cost control, enabled the Company to continue trading profitably through this difficult period. Management would like to acknowledge the excellent teamwork and cooperation demonstrated by its dedicated employees, and thank those landlords who provided rent relief during the COVID-19 period.

The Company's annual centre improvement programme, incorporating capital expenditure to upgrade centres both internally and externally, was placed on hold in late March 2020.

Given the difficult trading conditions caused by the pandemic and its impact on our staff and the families under our care, the Company has performed well, with statutory net profit after tax (NPAT) for the half-year ended 30 June 2020 of $547,692.

REVIEW OF OPERATIONS (continued)

Non-IFRS Financial Information[1]

After reversing the impact of AASB 16 *Leases*[2], 'underlying' NPAT was as follows:

Underlying NPAT

	Statutory Half-year 2020 $'000	*Reversing AASB 16 Impact $'000*	***Underlying Half-year 2020 $'000***	*Underlying Half-year 2019 $'000*
Revenue	16,472	(357)	**16,115**	15,861
Labour costs	(10,219)	-	**(10,219)**	(9,501)
Centre operating expenses	(854)	-	**(854)**	(921)
Facilities	(581)	(1,821)	**(2,402)**	(2,391)
Centre EBITDA	4,818	(2,178)	**2,640**	3,048
Head Office staff & related costs	(830)	-	**(830)**	(667)
Other corporate overheads	(436)	(24)	**(460)**	(400)
EBITDA	3,552	(2,202)	**1,350**	1,981
Depreciation	(2,160)	1,911	**(249)**	(157)
EBIT	1,392	(291)	**1,101**	1,824
Finance costs	(684)	448	**(236)**	(341)
Profit Before Tax	708	157	**865**	1,483
Tax	(160)	(41)	**(201)**	(356)
NPAT from Continuing Operations	548	116	**664**	1,127

1. EBIT and EBITDA are non-statutory financial measures which are not prescribed by Australian Accounting Standards (AAS). They represent the profit under AAS adjusted for Interest and Tax (EBIT) plus Depreciation and Amortisation (EBITDA) and certain other specific items. The Directors consider that EBIT and EBITDA reflect the core earnings of the entity, consistent with internal reporting.
2. For an explanation of the impact of AASB 16 *Leases* please refer to Note 1. *Summary of significant accounting policies* on pages 21 to 22 of the Annual Report for the year ended 31 December 2019.

After reversing the impact of AASB 16 *Leases*[2], 'underlying' Earnings Per Share (EPS) was as follows:

Underlying EPS

	Statutory Half-year 2020 Cents	*Reversing AASB 16 Impact Cents*	***Underlying Half-year 2020 Cents***	*Underlying Half-year 2019 Cents*
Basic and diluted earnings per share	1.72	0.37	**2.09**	3.59
	$	*$*	***$***	*$*
Earnings used in calculating EPS				
NPAT from Continuing Operations	547,692	116,625	**664,317**	1,126,736
	Number	*Number*	***Number***	*Number*
Weighted average number of shares	31,833,763	31,833,763	**31,833,763**	31,833,763

The financial position of the Company, as detailed in the Statement of Financial Position in the financial statements, is sound and is in line with management's expectations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the half-year Westpac deferred principal loan repayments of $88,100 per month for 6 months, effective March 2020, with loan repayments to recommence in September 2020.

There were no other significant changes in the state of affairs of the Company that occurred during the half-year not otherwise disclosed in this report or in the accompanying financial statements.

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

The Company has entered into individual centre Transition Payment Agreements (TPA's) with the federal government, effective from 13 July 2020 through to 27 September 2020 (TP Period), under which the Relief Package payment halved. The TPA terms and conditions require that centre staffing is maintained at pre-TP Period levels and that centre fees do not increase during the TP Period.

On 7 July 2020 the federal government announced that it would allow ECEC services located in areas subject to COVID-19 restrictions at Stage 3 level or above, including metropolitan Melbourne and Mitchell Shire in Victoria, to waive parent gap fees if children are not attending childcare for COVID-19 related reasons, with effect from 13 July 2020.

On 2 August 2020 the Victorian government announced the implementation of Stage 4 restrictions for metropolitan Melbourne such that, from 6 August 2020, ECEC centres are only allowed to remain open in order to care for the children of permitted workers. The federal government also announced that eligible centres will have their Transition Payments increased from 25% to 30% (of the Reference Period fees) during the TP Period. With fees having been reintroduced from 13 July 2020, the Company is confident that its financial position will improve as the effects of the pandemic diminish.

No other matter or circumstance has arisen since 30 June 2020 which has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company expects to continue to execute its business plan, in line with its strategic objectives, as outlined in its 2019 Annual Report, albeit allowing for the not insignificant interruption caused by COVID-19. Future growth is expected to come through the continued improvement of existing centres and, once the impact of COVID-19 has abated and the uncertainty surrounding future trading conditions decreases, the acquisition of new, long day childcare centres.

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 8.

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

Peter Lowe
Chairman

Melbourne
18 August 2020

Auditor's Independence Declaration to the Directors of Mayfield Childcare Limited

In relation to our review of the financial report of Mayfield Childcare Limited for the half-year ended 30 June 2020 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct in relation to the review.

PKF

Melbourne, 18 August 2020

Kenneth Weldin

Partner

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
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Interim Financial Report

For the half-year ended 30 June 2020

Contents

This interim financial report is for Mayfield Childcare Limited ("Mayfield", "Company").

The financial statements are presented in Australian dollars, which is the Company'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 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 Company'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 18 August 2020. The directors have the power to amend and to reissue the interim financial report.

A copy of this financial report may be obtained from the ASX website (www.asx.com.au).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 30 June 2020

	Note	Half-year 2020 $	Half-year 2019 $
Revenue	3	**16,471,720**	15,861,320
Employees		**(11,047,762)**	(10,113,321)
Centre operations		**(853,779)**	(921,378)
Facilities		**(600,624)**	(558,261)
Administration		**(417,963)**	(415,136)
Acquisition costs		**-**	(215)
Depreciation and amortisation of plant and equipment	4	**(240,897)**	(148,641)
Depreciation charge on right-of-use assets	8	**(1,919,243)**	(1,815,325)
Finance costs		**(683,371)**	(665,483)
Profit before income tax		**708,081**	1,223,560
Income tax expense		**(160,389)**	(285,145)
Profit after income tax for the half-year entirely attributable to the owners of Mayfield Childcare Limited		**547,692**	938,415
Other comprehensive income for the half-year, net of tax		**-**	-
Total comprehensive income for the half-year entirely attributable to the owners of Mayfield Childcare Limited		**547,692**	938,415

	Note	Cents	Cents
Basic earnings per share	12	**1.72**	2.99
Diluted earnings per share	12	**1.72**	2.99

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	***30 Jun 2020 $***	*31 Dec 2019 $*
ASSETS			
Current assets			
Cash and cash equivalents		**161,205**	648,960
Trade and other receivables		**1,191,783**	1,019,902
Prepayments		**242,334**	547,378
Other		**-**	5,153
Total current assets		**1,595,322**	2,221,393
Non-current assets			
Plant and equipment	4	**2,562,247**	2,151,207
Intangibles	5	**39,738,324**	39,740,835
Right-of-use assets	8	**26,314,432**	25,231,685
Deferred tax		**507,905**	652,022
Total non-current assets		**69,122,908**	67,775,749
Total assets		**70,718,230**	69,997,142
LIABILITIES			
Current liabilities			
Trade and other payables	6	**3,955,207**	1,331,347
Contract liabilities		**858,195**	212,388
Borrowings	7	**958,400**	1,295,208
Leases	8	**3,349,323**	3,359,988
Current tax liabilities		**(422,476)**	52,801
Provisions		**1,328,259**	1,136,667
Total current liabilities		**10,026,908**	7,388,399
Non-current liabilities			
Borrowings	7	**10,230,400**	11,492,800
Leases	8	**23,728,364**	22,478,309
Provisions		**81,057**	79,443
Total non-current liabilities		**34,039,821**	34,050,552
Total liabilities		**44,066,729**	41,438,951
Net assets		**26,651,501**	28,558,191
EQUITY			
Contributed equity		**23,839,313**	23,839,313
Retained earnings		**2,812,188**	4,718,878
Total Equity		**26,651,501**	28,558,191

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

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 30 June 2020

	Share Capital ***$***	***Retained Earnings*** ***$***	***Total*** ***$***
Balance as at 1 January 2019	23,000,856	4,149,890	27,150,746
Profit after income tax expense for the half-year	-	938,415	938,415
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	938,415	938,415
Transactions with owners in their capacity as owners			
Contributions of equity (via DRP), net of transaction costs	838,457	-	838,457
Dividend paid		(2,777,521)	(2,777,521)
Balance as at 30 June 2019	23,839,313	2,310,784	26,150,097
Balance as at 1 January 2020	23,839,313	4,718,878	28,558,191
Profit after income tax expense for the half-year	-	547,692	547,692
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	547,692	547,692
Transactions with owners in their capacity as owners			
Contributions of equity (via DRP), net of transaction costs	-	-	-
Dividend payable		(2,454,382)	-
Balance as at 30 June 2020	**23,839,313**	**2,812,188**	**26,651,501**

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

STATEMENT OF CASH FLOWS
For the half-year ended 30 June 2020

	Half-year 2020 $	*Half-year 2019 $*
Cash flows from operating activities		
Receipts from customers, including government funding	**16,405,316**	15,755,884
Payments to suppliers and employees	**(11,883,596)**	(11,565,843)
	4,521,720	4,190,041
Other receipts	**3,706**	5,934
Net interest paid on borrowings	**(235,209)**	(337,951)
Interest paid on lease liabilities	**(391,066)**	(327,074)
Income tax paid	**(491,549)**	(1,366,842)
Net cash inflow from operating activities	**3,407,602**	2,164,108
Cash flows from investing activities		
Payments for plant and equipment	**(650,419)**	(842,042)
Payments for purchases of businesses plus associated costs	**-**	(886,760)
Proceeds from disposal of plant and equipment	**455**	-
Proceeds from return of security deposit	**-**	5,844
Net cash outflow from investing activities	**(649,964)**	(1,722,958)
Cash flows from financing activities		
Repayment of borrowings	**(1,599,208)**	-
Proceeds from borrowings	**-**	1,350,000
Share issue costs	**-**	(5,100)
Repayment of lease liabilities	**(1,646,185)**	(1,555,593)
Dividends paid	**-**	(1,933,964)
Net cash outflow from financing activities	**(3,245,393)**	(2,144,657)
Net decrease in cash and cash equivalents	**(487,755)**	(1,703,507)
Cash and cash equivalents at the beginning of the half-year	**648,960**	1,776,803
Cash and cash equivalents at the end of the half-year	**161,205**	73,296

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

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

Note 1. Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for 'for profit' entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard (IFRS) IAS 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and all public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

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

Going concern

Current liabilities exceed current assets at reporting date by $8.4 million. The ongoing application of AASB 16 *Leases* has required the recognition within the statement of financial position of a current lease liability of $3.3 million as at reporting date without a concomitant current asset (the right-of-use leased asset being mandated as non-current), however this continues to have no impact upon the economic position of the Company. Despite the 'underlying' (pre-AASB 16) net shortfall in current assets of $5.1 million, the Company continues to generate positive operational cash flows and continues to be profitable. The Company had up to $4.4 million (at reporting date) available to be drawn down from its lending facility for working capital requirements and its cash resources are closely monitored.

The COVID-19 pandemic resulted in the federal government effectively capping the Company's income through its ECEC Relief Package scheme. On 2 August 2020 the Victorian government announced the implementation of Stage 4 restrictions for metropolitan Melbourne such that, from 6 August 2020, ECEC centres are only allowed to remain open in order to care for the children of permitted workers. The federal government also announced that eligible centres will have their Transition Payments increased from 25% to 30% (of the Reference Period fees) during the Transition Payment Period, albeit with providers being encouraged to waive the 'gap' fee for the parents of those children unable to attend for COVID-19 related reasons. With fees having been reintroduced from 13 July 2020, the Company is confident that its financial position will improve as the effects of the pandemic diminish.

In considering the pandemic and its expected impact upon the future cash flows of the Company, the directors have assumed that funding will continue to be received from both the federal (CCS) and state (Kindergarten) governments in a timely manner, and in accordance with currently legislated funding models and that occupancy, after an initial minor decline upon the reintroduction of fees, will gradually recover. Whilst uncertainties in forecasting do and always will exist (and are greater than would normally be the case), they do not constitute material uncertainty in relation to going concern. Therefore, having regard to all of the above, the directors believe it appropriate to prepare the financial statements on a going concern basis.

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

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

New Accounting Standards and Interpretations published but not yet adopted

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

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

Note 2. Operating segments

Identification of reportable segments
The Company continues to operate in one operating segment, as a childcare services provider. The Company operates in one geographical region, being Australia and, more specifically, Victoria.

Major customers
The Company did not have any major customers during the half-year ended 30 June 2020, as it earns the majority of its revenue from childcare provided to individual families.

Note 3. Revenue

	Half-year 2020 $	*Half-year 2019 $*
Childcare fees, including government funding	**12,844,711**	15,855,665
JobKeeper wages subsidy	**3,267,000**	-
Gain on property rent reductions	**310,634**	-
Gain on early termination of property leases	**46,207**	-
Other income	**3,168**	5,655
	16,471,720	15,861,320

Note 4. Non-current assets – Plant and equipment

	30 Jun 2020 $
Plant and equipment	
Plant and equipment – at cost	**3,364,889**
Less: Accumulated depreciation	**(802,642)**
Net book amount	**2,562,247**
Reconciliation	
Opening net book amount at 1 January 2020	**2,151,207**
Adjustments from prior period business combinations (Note 9)	**2,511**
Additions	**650,419**
Disposals	**(993)**
Depreciation expense	**(240,897)**
Balance at 30 June 2020	**2,562,247**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

Note 5. Non-current assets – Intangibles

	30 Jun 2020 *$*
Goodwill – at cost	**39,738,324**
Reconciliation	
Balance at 1 January 2020	**39,740,835**
Adjustments from prior period business combinations (Note 9)	**(2,511)**
Balance at 30 June 2020	**39,738,324**

The Company did not acquire any centres during the reporting period.

No centres were sold during the reporting period.

Goodwill impairment testing

Goodwill is allocated to a single cash-generating unit (CGU), which is based on the Company's 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 which, due to the onset of the COVID-19 pandemic during the reporting period, have been conservatively assessed:

- Revenue growth of 3.0% (Dec 2019: 3.75%) - reduction reflects dampened expectations due to the COVID-19 pandemic;
- Employee expenses growth of 3.0% (Dec 2019: 3.25%) - reduction reflects expectation of lower future wages growth;
- All other expenses growth of 2.0% (Dec 2019: 3.0%) - reduction reflects lower rate of inflation;
- Discount rate (pre-tax) of 15.75% (Dec 2019: 14.75%) – increase reflects increased cost of capital due to COVID-19; and
- Terminal growth rate of 2.5% (Dec 2019: 2.75%), 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 Company 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 Company's investors. The cost of debt is based on management's assessment of an applicable risk-free rate plus a Company-specific risk premium.

The directors have considered the sensitivity of the impairment assessments to a reasonably possible change in the above key assumptions. The following sensitivities would likely result in an impairment:

- Revenue growth of less than 2.25% (assumes no reduction in expenses growth)
- Employee expenses growth of more than 3.95% (assumes no change in the growth of other expenses)
- Discount rate increased to more than 17.4%

Based on the above, the Board has determined that no impairment is required to the carrying amount of goodwill at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

	30 Jun 2020 $

Note 6. Trade and other payables

Trade and other payables	1,500,825
Dividend payable	2,454,382
	3,955,207

Note 7. Current & Non-current liabilities – Borrowings

Current	958,400
Non-current	10,230,400
Total at 30 June 2020	11,188,800
Bank Loans	
Balance at 1 January 2020	12,550,000
Net repayments	(1,361,200)
Balance at 30 June 2020	11,188,800
WorkCover Premium Funding	
Balance at 1 January 2020	238,008
Net repayments	(238,008)
Balance at 30 June 2020	-

Financing arrangements

Bank loans

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

Facility as at 30 June 2020	
Total bank loan facility	19,100,000
Less amount used	(11,188,800)
Unused facility	7,911,200

Of the $7.9 million unused:

- $4.4 million is available without restriction to meet working capital requirements; and
- $3.5 million is only available for future acquisitions, there being specific criteria which need to be met prior to any draw-down.

There have been no events of default on the financing arrangements of the Company during the half-year.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

	Half-year 2020 $	Half-year 2019 $
Note 8. Leases		
A. Expenses		
Expenses from transactions not recognised as leases:		
Rental expense relating to leases of low-value assets	**26,031**	25,289
B. Cash flows		
Total cash outflow for leases	**2,037,251**	1,882,667

C. Right-of-use assets

	Property $	**Motor Vehicles $**	**Total $**
Right-of-use assets	**31,347,579**	**101,006**	**31,448,585**
Less: Accumulated depreciation	**(5,079,462)**	**(54,691)**	**(5,134,153)**
Net book amount at 30 June 2020	**26,268,117**	**46,315**	**26,314,432**
Reconciliation			
Opening balance at 1 January 2020	**25,176,999**	**54,686**	**25,231,685**
New leases	**2,767,022**	**-**	**2,762,022**
Increase due to addition of next further term	**1,938,386**	**-**	**1,938,386**
Increase due to re-measurement of lease liabilities upon increase of variable lease payments	**28,234**	**-**	**28,234**
Decrease due to early termination of leases	**(1,731,652)**	**-**	**(1,731,652)**
Depreciation charge	**(1,910,872)**	**(8,371)**	**(1,919,243)**
Balance at 30 June 2020	**26,268,117**	**46,315**	**26,314,432**

D. Lease Liabilities

Current	**3,307,227**	**42,096**	**3,349,323**
Non-current	**23,713,205**	**15,159**	**23,728,364**
Balance at 30 June 2020	**27,020,432**	**57,255**	**27,077,687**

Maturity of Leases

The following table analyses the Company'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.

30 June 2020	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
Leases – Property	4,011,174	4,105,980	12,176,049	9,770,374	30,063,577	27,020,432
Leases – Motor Vehicles	42,652	15,164	-	-	57,816	57,255
Total Leases	4,053,826	4,121,144	12,176,049	9,770,374	30,121,393	27,077,687

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

Note 8. Leases (continued)

Additional information

Application of AASB 2020-4 Covid-19-Related Rent Concessions

During the period the Company has applied AASB 2020-*4 Covid-19-Related Rent Concessions* as a result of a degree of rent relief being received from a majority of landlords. The new standard allows the Company to not treat the rent relief as a lease modification. It has been applied to those leases that meet the following requirements:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The amount recognised in the Profit & Loss statement for the period relating to COVID-19 related rent concessions is revenue of $310,634.

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 initial measurement date, in which case both the current and subsequent further terms are considered to be non-cancellable.

Weighted average property lease term

The average unavoidable property lease term, weighted for the number of licensed places, is 6.4 years. Including all further terms, the weighted average term increases to 22.3 years.

Motor vehicle leases

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

Note 9. Business combinations

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

Finalisation of prior period provisional estimates

During the reporting period final adjustments were made to the initial provisional estimates of the fair value of plant and equipment acquired in a business combination undertaken in the previous corresponding reporting period, as follows:

Half-year 2020	Tecoma $
Plant and equipment	
Finalised fair value	7,511
Less initial provisional estimate	(5,000)
Increase in current reporting period (Notes 4 & 5)	2,511

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

Note 10. Related party transactions

Transactions with related parties

Management services agreements

No new related party service agreements were entered into during the half-year. No related party revenue has been recognized during the half-year.

Note 11. Events occurring after the reporting period

The Company has entered into individual centre Transition Payment Agreements (TPA's) with the federal government, effective from 13 July 2020 through to 27 September 2020 (TP Period), under which the Relief Package payment halved. The TPA terms and conditions require that centre staffing is maintained at pre-TP Period levels and that centre fees do not increase during the TP Period.

On 7 July 2020 the federal government announced that it would allow ECEC services located in areas subject to COVID-19 restrictions at Stage 3 level or above, including metropolitan Melbourne and Mitchell Shire in Victoria, to waive parent gap fees if children are not attending childcare for COVID-19 related reasons, with effect from 13 July 2020.

On 2 August 2020 the Victorian government announced the implementation of Stage 4 restrictions for metropolitan Melbourne such that, from 6 August 2020, ECEC centres are only allowed to remain open in order to care for the children of permitted workers. The federal government also announced that eligible centres will have their Transition Payments increased from 25% to 30% (of the Reference Period fees) during the TP Period. With fees having been reintroduced from 13 July 2020, the Company is confident that its financial position will improve as the effects of the pandemic diminish.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect, the Company's operations, the results of those operations or the Company's state of affairs in future years.

Note 12. Earnings per share

	Half-year 2020	*Half-year 2019*
	Cents	*Cents*
Basic and diluted earnings per share	**1.72**	2.99
	Number	*Number*
Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	**31,833,763**	31,420,561
	$	*$*
Earnings used in calculating basic and diluted earnings per share[1]		
Profit after tax attributable to the ordinary equity holders of the Company	**547,692**	938,415

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 20 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 Company's financial position as at 30 June 2020 and of its performance for the half-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.

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

Peter Lowe
Chairman

Melbourne
18 August 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Mayfield Childcare Limited (the Company) which comprises the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mayfield Childcare Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.* In accordance with the *Corporations Act 2001*, we have given the directors of the Company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mayfield Childcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF

Ken Weldin

PKF

Melbourne 18 August 2020

Kenneth Weldin

PKF