

MAYFIELD CHILDCARE LIMITED

ABN 53 604 970 390

NOTICE OF GENERAL MEETING

DATE:

16 November 2017

TIME:

9:30am (AEST)

PLACE:

Level 4, 91 William Street, Melbourne VIC 3000

This Notice of General Meeting and Explanatory Notes should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor without delay

MAYFIELD CHILDCARE LIMITED

ABN 53 604 970 390

Registered Office: Suite 3, Level 1, 275 Wattletree Road, Malvern VIC 3144

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Mayfield Childcare Limited will be held at Level 4, 91 William Street, Melbourne, Victoria at 9:30am AEST on 16 November 2017.

The Explanatory Notes and proxy form which accompany and form part of this Notice, describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Notes and the proxy form in their entirety.

AGENDA

1. Resolution 1 - Approval of the Acquisition of Pebble Patch ELC Childcare Centre

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval be given for the Company to complete the Pebble Patch Acquisition on the terms and conditions set out in the Explanatory Notes to Resolution 1 accompanying the Notice of Meeting."

Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by a party to the transaction and any of that party's associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Independent Expert's Report:

Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under Listing Rule 10.1. The Independent Expert's Report, a copy of which appears as Schedule 2, comments on the fairness and reasonableness of the Pebble Patch Acquisition to Shareholders who are not associated with the parties to the Pebble Patch Acquisition. The Independent Expert has determined the Pebble Patch Acquisition as **fair and reasonable** to Shareholders who are not associated with the parties to the Pebble Patch Acquisition. A copy of the Independent Expert's Report is available on the Company's website (<http://mayfieldchildcare.com.au/>). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

By Order of the Board of Mayfield Childcare Limited



MR ANDREW DRAFFIN
COMPANY SECRETARY
Dated: 12 October 2017

PROXY AND VOTING INSTRUCTIONS

1. For the purposes of the *Corporations Act*, the Company has determined that all securities of the Company recorded on the Company's register as at 7.00pm (AEST) on the date 48 hours before the date of the General Meeting will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time.
2. The details of the Resolutions contained in the Explanatory Notes accompanying this Notice of Meeting should be read together with, and forms part of this Notice of Meeting.
3. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person excluded from voting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or where it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.
4. A proxy form is attached. If required it should be completed, signed and returned in accordance with the instructions set out in the proxy form by no later than **9:30am (AEST) on 14 November 2017**.

EXPLANATORY NOTES

This Explanatory Note has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Resolution 1 – Approval of the Acquisition of Pebble Patch ELC Childcare Centre

1. Background

The Company proposes to acquire the Pebble Patch ELC business and all the associated assets from Pebble Patch ELC Cranbourne Pty Ltd ABN 40 280 706 833 as trustee for Pebble Patch ELC Cranbourne Trust (the **Pebble Patch Acquisition**). Pebble Patch ELC is a licensed day care centre located at 975 Cranbourne-Frankston Road, Cranbourne West (the **Business Premises**). The Vendor is a tenant under a lease in respect of the Business Premises (**Lease**). On completion of the Pebble Patch Acquisition, the Lease will be transferred to the Company.

Pebble Patch ELC provides both care and education within a long day care environment and caters for enrollees in the nursery age group through to 4-year-old kindergarten group. Currently, Pebble Patch ELC has a licensed occupancy for 75 places.

The Company is required to obtain Shareholder approval under Listing Rule 10.1 in order to complete the Pebble Patch Acquisition.

The acquisition has been negotiated on arm's length terms and therefore approval under Chapter 2E of the Corporations Act is not required.

The Board has retained PKF Melbourne Corporate Pty Ltd as an independent expert, and their report accompanies this Notice. The Independent Expert has reported their opinion that the Pebble Patch Acquisition is fair and reasonable to the non-associated Shareholders.

A summary of the material terms of the Contract of Sale and the Lease is set out in Section 2 and 3.

2. Key Terms of the Acquisition

2.1 Asset Purchase

The Company proposes to acquire all of the business assets of Pebble Patch ELC including the following:

- possession of the Business Premises;
- goodwill;
- plant and equipment;
- licenses;
- intellectual property relating to the Business; and
- all existing rights under any material contracts.

2.2 Settlement Date

Subject to Shareholder approval, the effective date of settlement for the Contract of Sale is 15 September 2017 (**Settlement Date**). This means that, subject to Shareholder approval being obtained, the Company will have the economic benefit of ownership of the Business from 15 September 2017.

2.3 Consideration

The purchase price for the Pebble Patch Acquisition is \$2,200,000 to be payable by the Company as follows:

- \$550,000 to be paid upon receipt of Shareholder approval;
- \$550,000 to be paid on 31 January 2018; and
- \$1,100,000 to be paid on 30 June 2018,

(**Purchase Price**).

The Purchase Price may be adjusted if, during the period between 15 September 2017 and 31 October 2017 (**Forecast Period**) the occupancy level of the Business falls below 90%. The Occupancy Level is

based on the total fee-paying children actually enrolled at the Business as a percentage of the licensed places of 75.

2.4 Warranties

The Vendor warrants that:

- the Occupancy Level is an accurate and correct representation of the occupancy if it were calculated as at the Settlement Date; and
- the Occupancy Level will be greater than 90% in the Forecast Period.

The Contract of Sale otherwise contains customary warranties and completion deliverables for a transaction of this nature.

2.5 Restraint of Trade

The Vendor undertakes to the Purchaser that for a period of 36 months after the Settlement Date, it will not:

- engage in a business or activity which is the same or similar to the Business or in competition with the Business;
- solicit, canvass or approach a person who was at any time during the period of one (1) year ending on the Settlement Date a customer of the Business; or
- interfere with the relationship between either of the Business and its customers, or its employees.

The restraint area of the undertaking is 5 km radius of the Business Premises.

3. Key Terms of the Lease

On Completion of the Pebble Patch Acquisition, the Lease will be transferred to the Company. The terms of the Lease are as follows:

Rent	\$157,938.55 per annum (excluding GST and outgoings) for 2017, subject to annual CPI of 4% during the Term.
Term	Ten (10) years commencing on 23 March 2009, with an option of four (4) further terms of five (5) years each.

4. Advantages of the Pebble Patch Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- completion of the Pebble Patch Acquisition is consistent with the Company's growth strategy to expand its business and operations through the acquisition of additional childcare centres;
- the Business is located in Victoria, allowing the Company to have a focussed portfolio of childcare centres in a central geographic location. Currently the Company operates 18 childcare centres, all located in Victoria. Once acquired by the Company, the strategic location of the Business provides considerable flexibility for the Company to integrate the Business into the Company's existing operations, which the Company believes should result in cost savings and underpin the Company's ability to ensure consistent and high-quality service is being delivered across the Mayfield childcare centres;
- to ensure that the Pebble Patch Acquisition is line with the Company's objectives and growth strategy, the Company has undertaken detailed analysis of the Business and is satisfied that the Business has met the following acquisition criteria:
 - **Site location and local demand:** The Business is strategically located in Cranbourne West, Victoria. Cranbourne West is a developing residential area which has a steady population growth. The Company believes there will be an increasing demand for childcare services in the local area and that the Pebble Patch Acquisition will allow the Company to expand in the south-eastern Victoria growth corridor;

- **Occupancy:** the Business has 75 licensed places with a 96.5% occupancy level in August 2017. The Vendor has also given a warranty that the occupancy level is greater than 90% in 15 September 2017 – 31 October 2017. These percentages are higher than the average weighted occupancy rate that the Company has forecasted for its medium sized childcare centres for CY17, which is 83%. If acquired, the Directors believe that the Business will contribute to the increase in the Company's overall average weighted occupancy rate and ultimately the profitability of the Company;
- **Profitability:** the Business is expected to contribute approximately \$480,000 in EBITDA for CY18. Based on the purchase price of \$2.2 million, this represents a multiple of 4.6x CY18 EBITDA, inclusive of payroll tax;
- **Competition within immediate vicinity:** whilst the Business will be competing against other long day care service providers in the immediate vicinity, the Directors are satisfied that the Business is already established within its market and has a competitive advantage through its quality of service and optimal cost offering, as reflected in the high occupancy rate of the Business;
- as part of the Company's growth strategy, the Company has implemented the Quality Improvement Plan which the Company also intends to integrate into the Business if it obtains Shareholder approval to complete the Pebble Patch Acquisition. The Quality Improvement Plan targets to optimise the efficiency and quality of service of each Mayfield Childcare Centre to ultimately improve the occupancy level and the overall profitability of that childcare centre, and in aggregate of the Company. With its extensive experience in childcare industry and its Quality Improvement Plan, the Company believes that it is able to unlock the synergies that arise from combining all of the Company's childcare centres;
- the Pebble Patch Acquisition is proposed to be acquired using existing borrowing facilities of the Company. As the Company has the benefit of low interest costs, the acquisition should increase the return on shareholders' funds;
- Michelle Clarke is currently overseeing the day to day operation of the Business as well as fulfilling her role of executive director of the Company. This competing commercial interest will be eliminated if the Business is acquired by the Company; and
- If the Shareholders do not approve the Pebble Patch Acquisition, the Directors will need to identify an alternate acquisition. This will divert the Directors' attention from managing the Company's business and will result in additional acquisition costs.

5. Disadvantages of the Pebble Patch Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- whilst the Independent Expert has concluded that the Pebble Patch Acquisition is fair and reasonable to the Shareholders, Shareholders may disagree with the conclusions of the Independent Expert or the basis on which the Independent Expert has formed such conclusion;
- whilst the Company has taken detailed analysis to ensure that the Business is in line with the Company's objectives and selection criteria, there is a risk that the Business may be less profitable than might be expected based on the analysis that is undertaken, including as a consequence of a change in ownership. There is also no guarantee that the Business will be or will remain profitable, increase in profitability or contribute to the Company's profit growth once acquired by the Company;
- whilst the Company has carried out pre-acquisition due diligence on the Vendor and the Business, Shareholders should note that the Company's due diligence inquiries may not have identified all relevant risks and facts that may be material. Any material risk not identified in the due diligence inquiries could have an adverse effect on the Company's business and financial position. There is also risk that information provided to the Company by the Vendor may not be reliable or could not be completely verified. If such information proves to be unreliable, this could also adversely affect the Company's business and financial position; and

- at present, the Commonwealth government provides significant support to provide assistance for families to obtain childcare. The key forms of assistance payments currently provided by the Commonwealth government are the Childcare Benefit (CCB) and the Childcare Rebate (CCR). These payments are generally paid directly to the approved childcare providers. These schemes are subject to review at any time by the Commonwealth government. Any changes reducing the funding to, or subsidies for or in relation to, childcare centres, childcare services, or to eligibility criteria for the CCB, CCR or any other similar scheme, could have adverse effects on the financial position of the Business.

6. ASX Rule 10.1

The Company is required to obtain Shareholder approval under Listing Rule in order to complete the Pebble Patch Acquisition. Resolution 1 seeks this approval.

Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or dispose of a substantial asset to, amongst other persons, a “related party” of the entity or its associates, without the prior approval of the shareholders.

For the purposes of Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX’s opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The equity interests of the Company as set out in the latest accounts given to ASX under the Listing Rules (being the half-year accounts for the period ended 30 June 2017) were \$21,648,505. 5% of this amount is \$1,082,425.25 whereas the purchase price proposed for the Pebble Patch Acquisition is \$2,200,000 subject to the adjustments under the Contract of Sale.

Regardless of those adjustments, the Directors expect that the final consideration will exceed 5% of the equity interests of the Company as set out in the latest accounts. Therefore, the Pebble Patch Acquisition is an acquisition of a substantial asset.

6.1 Related party

For the purposes of Listing Rule 10.1 a “related party” of a listed entity includes:

- (i) a director of the Company;
- (ii) spouses and de facto spouses of a director of the Company; and
- (iii) an entity controlled by a related party referred to in (i) and (ii) above.

Control is defined in section 50AA of the Corporations Act. An entity “controls” another entity where the first mentioned entity has the capacity to determine the outcome of decisions about the other entity’s financial and operating policies. In determining whether the first entity has such capacity, the practical influence the first entity can exert and any practice or pattern of behaviour over the outcome of decisions affecting the other party are looked at.

The definition of “related party” is applied to each of the relevant entities below:

- Michelle Clarke: Michelle Clarke is a Director of the Company and the spouse of Dean Clarke, who is a Director of the Company. Michelle is a related party of the Company.
- Dean Clarke: Dean Clarke is a Director of the Company and the spouse of Michelle Clarke, who is a Director of the Company. Dean is a related party of the Company.
- Vendor: The Vendor is a related party of the Company because it is controlled by a related party of the Company. The Vendor is controlled by Michelle Clarke (sole director and shareholder of the Vendor).

For the purposes of Listing Rule 10.1, an “associate” of a related party includes trusts in which a related party has an interest. Dean Clarke and Michelle Clarke, who are both related parties of the Company, are also beneficiaries of the Pebble Patch ELC Cranbourne Trust. Accordingly, the Pebble Patch ELC Cranbourne Trust is an associate of the related party of the Company.

6.2 Independent expert's report

Listing Rule 10.10.2 requires that a notice of meeting seeking approval under Listing Rule 10.1 include a report on the transaction from an independent expert. The Independent Expert's report prepared by PKF Melbourne Corporate Pty Ltd, a copy of which appears as Schedule 2, sets out a detailed independent examination of the Pebble Patch Acquisition to enable those shareholders who are not associated with the parties to the Pebble Patch Acquisition to assess the merits and decide whether to approve the Pebble Patch Acquisition.

The Independent Expert's report accompanying this Notice concludes that the Pebble Patch Acquisition is **fair and reasonable** to the Shareholders who are not associated with the parties to the Pebble Patch Acquisition. The Board urges the Shareholders to carefully read the Independent Expert's report to understand its scope, the methodology of the valuation, the process of analysis undertaken by the Independent Expert, the sources of information and the assumptions made by the Independent Expert.

6.3 Application of Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that, for a public company to give a financial benefit to a related party of the public company, the public company must:

- (a) obtain the approval of the public company's shareholders in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act. Section 208 uses the same concept of "related company" as Listing Rule 10.1.

The payment of the consideration to the Vendor constitutes giving a financial benefit and the Vendor is a related party of the Company as set out in Section 6.1.

Section 210 of the Corporations Act exempts a public company from requirement to obtain shareholder approval to a related party transaction where the terms of the transaction between the public company and the related party would be reasonable in the circumstances if the public company and the related party were dealing at arm's length, or where such terms are less favourable to the related party than arm's length terms.

The Board has determined that the Pebble Patch Acquisition is on arm's length terms for the following reasons:

- the conclusion of the Independent Expert's Report included with this Notice is that the Pebble Patch Acquisition is fair and reasonable to the non-associated Shareholders;
- the Pebble Patch Acquisition is beneficial to the Company because the acquisition aligns with the Company's growth strategy of expansion; and
- negotiations in relation to the Pebble Patch Acquisitions were conducted by the Chairman, the Chief Financial Officer Mr Glenn Raines, and the Company Secretary Mr Andrew Draffin, none of whom has any interest in this proposed acquisition (other than as a Director/Chairman and Shareholder of the Company).

Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 1 to vote in favour of the Pebble Patch Acquisition. In the view of the Board, the benefits of exercising the Pebble Patch Acquisition far outweigh the detriments of doing so.

SCHEDULE 1 – GLOSSARY

In this Notice and Explanatory Notes, the following terms have the following meaning unless the context otherwise requires.

The following terms have the following meanings in this Explanatory Notes:

A\$ or \$ means an Australian dollar.

Associate has the meaning ascribed in the Corporations Act.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires;

AEST means Australian Eastern Standard Time.

Board means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors;

Business means the Pebble Patch ELC business.

Business Day means a day on which the ASX is open for trading.

Business Premises has the meaning given to it in Section 1.

Chairman means chairman of the Board, at the time of this meeting being Peter Lowe or alternative.

Company means Mayfield Childcare Limited ABN 53 604 970 390.

Contract of Sale means the contract of sale between the Company and the Vendor in respect of the Pebble Patch Acquisition.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a Director of the Company.

Forecast Period has the meaning given to it in Section 2.3.

Independent Expert means PKF Melbourne Corporate Pty Ltd.

Independent Expert Report means the report set out in Schedule 2 to this Notice.

Lease has the meaning given to it in Section 1.

Listing Rules means the Listing Rules of the ASX.

Occupancy Level has the meaning given to it in Section 2.3.

Pebble Patch Acquisition has the meaning given to it in Section 1.

Purchase Price has the meaning given to it in Section 2.3.

Notice means the Notice of Meeting accompanying this Explanatory Notes;

Proxy Form means the proxy form attached to the Notice.

Related Party has the meaning ascribed in the ASX Listing Rules.

Resolutions means the resolutions put to the shareholders of the Company at this meeting.

Section means a section of the Explanatory Notes.

Settlement Date has the meaning given to it in Section 2.2.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the Company's existing shareholders at the date of the Notice of Meeting.

Vendor means Pebble Patch ELC Cranbourne Pty Ltd ABN 40 280 706 833 as trustee for Pebble Patch ELC Cranbourne Trust.

SCHEDULE 2 – INDEPENDENT EXPERT REPORT FROM PKF MELBOURNE CORPORATE PTY LTD

The Independent Expert has concluded that the Pebble Patch Acquisition
is **FAIR AND REASONABLE** to non-associated Shareholders

9 October 2017

The Chairman
Mayfield Childcare Limited
Level 1, 275 Wattletree Road
Malvern, Vic 3144

Dear Sir,

Re: Independent Expert's Report

1. Introduction

Mayfield Childcare Limited ("Mayfield" or the "Company") has requested PKF Melbourne Corporate Pty Ltd ("PKF Corporate") to prepare an independent expert's report pursuant to Australian Securities Exchange ("ASX") Listing Rule 10.1 ("Listing Rule 10.1") in respect of the proposed acquisition of an operating childcare centre located at 975 Cranbourne-Frankston Road, Cranbourne West from Pebble Patch ELC Cranbourne Pty Ltd as trustee for the Pebble Patch ELC Cranbourne Trust ("the Vendor"), a company controlled by Mr. Dean Clarke and Mrs Michelle Clarke, both of whom are current directors of Mayfield.

Mayfield has agreed to acquire the Pebble Patch Childcare Centre business and all associated assets and to take an assignment of the lease of the premises from which the childcare centre operates.

The acquisition price is \$2,200,000 payable as follows:

- \$550,000 upon shareholder approval;
- \$550,000 on 31 January 2018; and
- \$1,100,000 on 30 June 2018.

Mayfield's shares were listed and commenced trading on the ASX under the code MFD on 30 November 2016, having acquired 16 long day care centres effective as of that date, with all centres located in Victoria.

At the time of listing Mayfield articulated a growth strategy, which included:

- increasing occupancy of existing centres by making capital and quality improvements to the centres;
- seeking opportunities to offer managed services to third party operators;
- acquiring centres that fit within its acquisition criteria; and
- modestly renovating and extending some centres to increase licensed places.

Since listing Mayfield has announced the acquisition of two centres and entering into managed services agreements to operate two centres. The present proposal fits within the growth strategy set out by Mayfield.

2. The Proposed Transaction

The shareholders are being asked to vote on the following ordinary resolution:

“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval be given for the Company to complete the Pebble Patch Acquisition on the terms and conditions set out in the Explanatory Notes to Resolution 1 accompanying the Notice of Meeting.”

For the purposes of this report the above transaction is hereinafter referred to as the “Proposed Transaction”.

The Mayfield directors have requested PKF Corporate to independently assess whether the Proposed Transaction is fair and reasonable to the non-associated shareholders. The independent expert’s report is to be prepared in accordance with the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 – Content of expert reports – issued on 30 March 2011.

3. Summary Opinion

In our opinion, the Proposed Transaction set out in Section 2 above is **fair and reasonable to the non-associated shareholders**.

Fairness

Our principal reasons for reaching the above opinion are:

In Section 8.3.3 we valued the Pebble Patch Childcare Centre in a range of \$2,020,000 to \$2,260,000.

In Section 9 we assessed the net present value of the consideration payable by Mayfield at approximately \$2,165,000.

As the effective consideration payable by Mayfield (\$2,165,000) is within our assessment of the value of the Pebble Patch Childcare Centre (\$2,020,000 to \$2,260,000), we have concluded that the **Proposed Transaction is fair**.

Reasonableness

We have also reviewed the other significant considerations referred to in Section 10 of this report and we consider that **the Proposed Transaction is reasonable**.

4. Structure of this Report

This report is divided into the following Sections:

<u>Section</u>	<u>Page</u>
5 Purpose of the Report	3
6 Mayfield - Key Information	4
7 Pebble Patch Childcare Centre - Key Information	7
8 Assessment of the Value of the Pebble Patch Childcare Centre	9
9 Assessment as to Fairness	13
10 Other Significant Considerations	13
11 Financial Services Guide	14
 <u>Appendix</u>	
A Sources of Information	16
B Declarations, Qualifications and Consents	17

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **ASX - Listing Rules 10.1 and 10.2**

Listing Rules 10.1 and 10.2 require a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

- (i) a related party;
- (ii) a subsidiary;
- (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above; or
- (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As

- Michelle Clarke, a director of Mayfield is the sole director and shareholder of the Vendor; and
- the acquisition of the Pebble Patch Childcare Centre for \$2.2 million exceeds 5% of the shareholders' funds of Mayfield as set out in the latest financial statements given to the ASX (5% of \$21,648,505 = \$1,082,425),

Listing Rule 10.1 will apply to the Proposed Transaction.

- **General**

The terms "fair" and "reasonable" are not defined in the Corporations Act 2001 ("the Act"), however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

- | | | |
|----------------|---|---|
| Fairness | - | the Proposed Transaction is "fair" if the value of the Pebble Patch Childcare Centre being acquired is equal to or greater than the consideration being offered. |
| Reasonableness | - | the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding. |

In determining whether the Proposed Transaction is fair, we have:

- valued the Pebble Patch Childcare Centre; and
- compared the value of the Pebble Patch Childcare Centre with the value of the consideration offered by Mayfield of \$2.2 million.

In determining whether the Proposed Transaction is reasonable we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. Mayfield - Key Information

6.1 Mayfield's Directors

The table below details Mayfield's current Board of Directors.

Name	Position
Peter Lowe	Non- Executive Chairman
Dean Clarke	Executive Director and CEO
Michelle Clarke	Executive Director

6.2 Share Capital

As at 27 September 2017 Mayfield had on issue 30,005,000 fully paid ordinary shares.

The 10 largest shareholders of Mayfield's ordinary shares as at that date were as follows:

Shareholder	No of Shares
Riversdale Road Shareholding Company Pty Ltd	3,400,000
D.W & M.R Clarke Pty Ltd	2,300,000
Buttonwood Nominees Pty Ltd	1,639,218
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	1,008,000
Mr Ivan Tanner & Mrs Felicity Tanner <The Supernatural S/F A/C>	632,299
Telunapa Pty Ltd <Telunapa Capital A/C>	500,000
NSR Investments Pty Ltd <NSR Super Fund A/C>	500,000
D.R. Dadon Holdings Pty Ltd	500,000
Marcus Besen & Eva Besen & Naomi Milgrom <Besen Family Foundation>	350,000
JT Campbell & Co Pty Ltd	340,000
Total	11,169,517

Source: Mayfield share register as at 27 September 2017

As at 27 September 2017 the 10 largest shareholders held 37.2% of the issued capital.

Mayfield does not have any options on issue or other instruments convertible into equity.

6.3 Financial Position

Mayfield's audited statements of financial position as at 31 December 2016 and the reviewed statements of financial position as 30 June 2017 were as follows:

Statement of Financial Position

	31/12/16 Audited \$	30/6/17 Reviewed \$
Current assets		
Cash and cash equivalents	1,410,473	1,514,407
Trade and other receivables	1,114,475	552,964
Other	287,280	221,954
Total current assets	<u>2,812,228</u>	<u>2,289,325</u>
Non-current assets		
Plant and equipment	1,160,515	1,172,612
Intangibles	27,018,231	27,445,529
Deferred tax	234,360	202,556
Total non-current assets	<u>28,413,106</u>	<u>28,820,697</u>
Total assets	<u>31,225,334</u>	<u>31,110,022</u>
Current liabilities		
Trade and other payables	2,019,793	1,072,892
Borrowings	4,635	9,860
Current tax liabilities	49,753	291,788
Provisions	278,226	494,285
Total current liabilities	<u>2,352,407</u>	<u>1,868,825</u>
Non-current liabilities		
Borrowings	7,480,212	7,507,530
Provisions	613,158	85,162
Total non-current liabilities	<u>8,093,370</u>	<u>7,592,692</u>
Total liabilities	<u>10,445,777</u>	<u>9,461,517</u>
Net assets	<u>20,779,557</u>	<u>21,648,505</u>
Equity		
Contributed equity	22,028,381	21,989,690
Accumulated losses	(1,248,824)	(341,185)
Total Equity	<u>20,779,557</u>	<u>21,648,505</u>

Source: Mayfield's 2016 Annual Report and 2017 Half-Year Report

6.4 Financial Performance

Mayfield's audited Statements of Profit or Loss for the period 1 July 2016 to 31 December 2016 and Mayfield's reviewed Statements of Profit or Loss for the period 1 January 2017 to 30 June 2017 were as follows:

Statement of Profit or Loss and Other Comprehensive Income	1/7/16-31/12/16	1/1/17-30/6/17
	Audited	Reviewed
	\$	\$
Continuing Operations		
Revenue	2,288,185	11,674,526
Expenses		
Employees	(1,443,881)	(7,576,777)
Facilities	(315,732)	(1,697,845)
Centre operations	(121,781)	(611,691)
Acquisition costs	(1,257,025)	(46,349)
Initial listing costs	(248,727)	(20,209)
Integration	(207,793)	(27,885)
Administration	(81,094)	(203,003)
Depreciation and amortisation	(14,901)	(102,426)
Finance costs	(29,949)	(157,110)
Profit before tax	(1,432,698)	1,231,231
Income tax benefit/(expense)	184,607	(323,592)
Net profit for the year	(1,248,091)	907,639
Other comprehensive income (net of tax)	-	-
Total comprehensive income/(loss) attributable to equity holders	(1,248,091)	907,639

Source: Mayfield's 2016 Annual Report and 2017 Half-Year Report

6.5 Cash Flow Statements

Mayfield's audited Statements of Cash Flows for the period 1 July 2016 to 31 December 2016 and Mayfield's reviewed Statements of Cash Flows for the period 1 January 2017 to 30 June 2017 were as follows:

Consolidated Statement of Cash Flows	1/7/16-31/12/16	1/1/17-30/6/17
	Audited \$	Reviewed \$
Cash flows from operating activities		
Receipts from customers, including government funding	1,660,616	11,629,815
Payments to suppliers and employees	(1,405,345)	(9,806,973)
Other receipts	-	6,759
Interest and other costs of finance paid	(28,616)	(157,777)
Income tax paid	-	(49,753)
Net cash provided by operating activities	226,655	1,622,071
Cash flows from investing activities		
Payments for purchases of businesses plus associated costs	(25,019,715)	(1,388,253)
Payments for plant and equipment	(46,762)	(70,715)
Net cash provided/(used in) investing activities	(25,066,477)	(1,458,968)
Cash flows from financing activities		
Proceeds from share issues	20,761,085	340,000
Proceeds from borrowings	7,628,964	-
Payment for share issue costs	(1,681,087)	(297,829)
Payment of public company initial listing costs	(232,917)	(96,894)
Repayment of borrowings	(180,750)	(4,446)
Payment of borrowing costs	(45,000)	-
Net cash provided by/(used in) financing activities	26,250,295	(59,169)
Net increase/(decrease) in cash and cash equivalents	1,410,473	103,934
Cash and cash equivalents at the beginning of the financial year	-	1,410,473
Cash and cash equivalents at the end of the financial year	1,410,473	1,514,407

Source: Mayfield's 2016 Annual Report and 2017 Half-Year Report

7. Pebble Patch Childcare Centre- Key Information

7.1 Background

Pebble Patch Childcare Centre is a long day care childcare centre located at 975 Cranbourne-Frankston Road, Cranbourne West. It is licenced for 75 places.

Cranbourne West is a developing residential area located 40 kms southeast of Melbourne's CBD. A number of new residential developments are taking place in close proximity to the centre.

Pebble Patch Childcare Centre provides both care and education within a long day care environment and caters for the littlest of enrollees in the Nursery through to the 4 Year Old Kindergarten group.

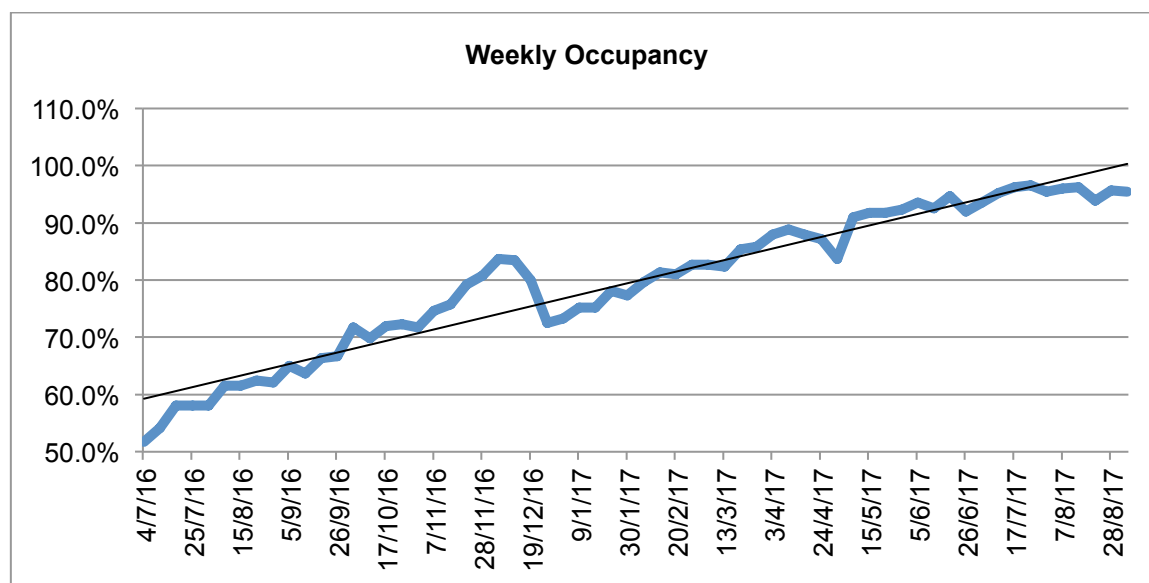
The business operates from purpose built facilities that are approximately 9 years old. The current lease expires in March 2020 but the lease includes four (4) five year options.

Opening hours are Monday to Friday, from 6.30am to 6.30pm.

The centre is currently configured into four rooms with the following capacity:

Nursery	16
Toddler	16
Prekinder	21
Kinder	22
Total	75

The Vendor acquired the business in 2015. The occupancy at that stage was relatively low. Set out in graphical form is the weekly occupancy of the centre for the period 4 July 2016 to 4 September 2017:



Source: Weekly utilization reports provided by the Vendor

As can be seen from the graph, weekly occupancy has been increasing steadily from less than 60% to being consistently above 90%.

Whilst the above graph covers a period in excess of 14 months, there is an overlap of only 10 weeks for which data is available for the same week in the succeeding financial year. This data is tabulated out below:

Week	Financial Year	
	2016	2017
1	51.73%	93.60%
2	54.13%	95.20%
3	58.13%	96.27%
4	58.13%	96.53%
5	58.13%	95.47%
6	61.60%	96.00%
7	61.60%	96.27%
8	62.40%	93.87%
9	62.13%	95.73%
10	65.07%	95.47%

Source: Weekly utilization reports provided by the Vendor

The above information illustrates the very significant improvement in the performance of the centre whilst under current management.

The number of children attending the centre on a monthly basis, the monthly fee income and the average income per session are set out below:

Month	Sessions	Attendance Charges	Average Fee
Jan-17	1,243	\$ 103,029	\$ 82.89
Feb-17	1,200	\$ 101,240	\$ 84.37
Mar-17	1,458	\$ 123,452	\$ 84.67
Apr-17	1,320	\$ 111,526	\$ 84.49
May-17	1,545	\$ 130,726	\$ 84.61
Jun-17	1,542	\$ 130,737	\$ 84.78
Jul-17	1,487	\$ 137,590	\$ 92.53
Aug-17	1,664	\$ 154,353	\$ 92.76

Source: Weekly utilization reports and transaction listing provided by the Vendor

8. Assessment of the Value of the Pebble Patch Childcare Centre

8.1 Value Definition

PKF Corporate's valuation of the Pebble Patch Childcare Centre being acquired by Mayfield has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

8.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods; and
- comparable market transactions.

Share price history

The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of the Proposed Transaction.

As Mayfield is only acquiring a business from a trustee of a discretionary trust, there are no relevant historical transactions that could be used to measure the value of the Pebble Patch Childcare Centre.

Capitalisation of future maintainable earnings

Capitalisation of earnings is a method commonly used for valuing operating businesses and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Capitalisation of maintainable EBIT is a methodology that is frequently used to value operating childcare centres and we have elected to utilise this methodology.

Net present value of future cash flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

We have been provided with projections for calendar year 2018 but not beyond. In view of the short-term nature of the available projections, we have elected not to apply the net present value of the future cash flows methodology.

Asset based methods

These methodologies are based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

Acquisition of a childcare centre typically includes acquiring limited net tangible assets as the value comprises largely of intangible assets such as the brand name and goodwill. As childcare centres operate from leased premises, the tangible assets acquired are limited to fixed assets used within the centre and the value of these assets is offset by employee liabilities assumed by the purchaser. As such the asset-based methodologies do not lend themselves to a valuation of a childcare centre.

Comparable market transactions

Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

There have been numerous transactions involving the change of control of childcare centres that provide evidence of the multiple at which the centres have changed hands. We will make use of this information in completing a valuation based on the capitalisation of maintainable earnings methodology.

Conclusion

Based on the above discussion, the only methodology that can be applied is the capitalisation of maintainable earnings.

8.3 Capitalisation of Maintainable Earnings Valuation

8.3.1 Earnings to be Capitalised

As can be seen from Section 7 above, the occupancy of the Pebble Patch Childcare Centre has dramatically improved during the 2017 financial year. This change in operating parameters makes the historical financial results not suitable to use as a basis for valuing the business.

We have been provided by the management of Mayfield with forecasts for the 2018 calendar year. A summary of the detailed forecasts is set out below:

	2018 \$
Fee income	1,675,000
Other income	90,000
Total Income	1,765,000
Expenses	
Employment costs	959,963
Occupancy costs	174,608
Utilities	16,000
Supplies	50,750
Other expenses	85,050
Total Expenses	1,286,371
Operating Profit	478,629

We have been provided with a detailed budget in support of the fee income. We have reviewed the budget and compared the forecast occupancy and average fee income with the actual results for the period 1 January 2017 to 31 August 2017. Based on this review we note that the forecast average occupancy for the period 1 January 2018 to 31 August 2018 is actually slightly below (0.6%) the actual occupancy for the corresponding period one year earlier. We also note that the average daily fee for the first half of the 2018 calendar year is approximately 2% below the average fee for July and August 2017. The fee is forecast to increase by approximately 6% in July 2018 (compared to the average fee for July and August 2017).

We have also been provided with a detailed budget for wages and superannuation for the 2018 calendar year, which we have reviewed. The budget forecasts that direct wages will be 49.3% of the fee income. This compares to 50.7% of fee income for the three-month period ended 30 June 2017.

As can be seen from the above table, the next largest expense is occupancy costs, with rent being supported by a lease agreement.

We have reviewed the remaining forecast expenses by comparing these with the actual expenses for the 2017 financial year as well as with industry benchmarks.

Based on the procedures outlined above, nothing has come to our attention that would indicate that the forecasts for the 2018 calendar year are unreasonable.

The forecast operating profit effectively equates to EBITDA as there is no interest expense at the business level and there is no allowance for depreciation in the forecasts. As the premises are leased, fixed assets are generally a relatively immaterial expense. We have discussed the expected level of depreciation with Mayfield's management and following this discussion we have adopted the sum of \$475,000 as representing the forecast EBIT for the Pebble Patch Childcare Centre.

8.3.2 Capitalisation Rate

Mayfield, G8 Education Limited ("G8") and Think Childcare Limited ("Think") have announced acquisitions of in excess of 330 childcare centres since 1 January 2014 at a combined cost of more than \$680 million. The majority of the announced transactions have involved multiple centres. For many (but not all) of these transactions the implied forecast EBIT multiples are publicly available. The forecast EBIT multiples have ranged from a low of 3.7 to a high of 6.2. The average EBIT multiple across these acquisitions was 4.3, however the weighted average was higher at 4.6. We are aware that some of the lower multiples involved centres that have not yet reached their full potential.

Of the more recent transactions, Think announced on 15 August 2017 the acquisition of four centres at a forecast EBITDA multiple of 4.44 and Mayfield announced an unrelated acquisition on 27 September 2017 at a forecast EBITDA multiple of 4.56.

After considering the available evidence as to multiples, we have concluded that the Pebble Patch Childcare Centre should be valued using an EBIT multiple in a range of 4.25 to 4.75.

8.3.3 Valuation

Based on the maintainable earnings assessed in Section 8.3.1 and the EBIT multiple range selected in Section 8.3.2 above, the values of the Pebble Patch Childcare Centre can be estimated as follows:

	Low	High
Forecast EBIT	\$ 475,000	\$ 475,000
Capitalisation multiple	4.25	4.75
Business value	<u>\$ 2,018,750</u>	<u>\$ 2,256,250</u>
Say	\$ 2,020,000	\$ 2,260,000

9. Assessment as to Fairness

In Section 8.3.3 above we valued the Pebble Patch Childcare Centre in a range of \$2,020,000 to \$2,260,000.

Mayfield has agreed to acquire the Pebble Patch Childcare Centre for the acquisition price is \$2,200,000, payable as follows:

- \$550,000 upon shareholder approval;
- \$550,000 on 31 January 2018; and
- \$1,100,000 on 30 June 2018.

As two of the instalments are deferred, Mayfield will have the benefit of ownership of the business without having had to pay the full purchase price at settlement. We have assessed the net present value of the consideration payable by Mayfield at approximately **\$2,165,000**. The net present value was assessed by discounting the future payments back to the expected settlement date at Mayfield's borrowing costs.

As the effective consideration payable by Mayfield (\$2,165,000) is within our assessment of the value of the Pebble Patch Childcare Centre (\$2,020,000 to \$2,260,000), we have concluded that the **Proposed Transaction is fair**.

10. Other Significant Considerations

Prior to deciding whether to approve or reject the Proposed Transaction, the non-associated shareholders should also consider the following factors:

- In Section 9 above we concluded that the Proposed Transaction is fair. As the Proposed Transaction is fair it is also considered to be reasonable, however we believe that the Mayfield shareholders should also take into consideration the following matters if the Proposed Transaction proceeds:
 - Mayfield currently operates 18 childcare centres, all located in Victoria. The acquisition of an additional centre should enable Mayfield to generate additional efficiencies of scale.
 - The Pebble Patch Childcare Centre is proposed to be acquired using existing borrowing facilities. As Mayfield has the benefit of low interest costs, the acquisition should increase the return on shareholders' funds.

- Michelle Clarke is currently overseeing the day to day operation of the Pebble Patch Childcare Centre as well as fulfilling her role of executive director of Mayfield. Acquisition of the Pebble Patch Childcare Centre by Mayfield will eliminate this competing commercial interest.
- The Pebble Patch Childcare Centre is located in a rapidly developing residential area and whilst competition from other operators may increase, the Pebble Patch Childcare Centre is already established within its market.
- If shareholders do not approve the Proposed Transaction management will need to identify an alternate acquisition. This will divert management's attention from managing the existing business and will result in additional acquisition costs.

After reviewing the results of our assessment of the fairness of the Proposed Transaction set out in Section 9 and after evaluating the other considerations set out above, we consider that **the Proposed Transaction is fair and reasonable to the non-associated shareholders.**

11. Financial Services Guide

11.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

11.2 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

11.3 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

11.4 General Financial Product Advice

In the reports, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

11.5 Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom nor Mr Steven Perri have any interest in the outcome of the Proposed Transaction, nor any relationship with Mayfield, Dean Clarke, Michelle Clarke or any of their related entities.

Drafts of this report were provided to and discussed with Chairman of Mayfield and Mayfield's Chief Financial Officer and Company Secretary and Mayfield's legal advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Melbourne Audit and Assurance Pty Ltd, an entity related to PKF Corporate is the auditor of Mayfield. With the exception of this relationship, PKF Corporate and its related entities do not have any shareholding in or other relationship with Mayfield, Dean Clarke, Michelle Clarke or any of their related entities, which could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

11.6 Remuneration

PKF Corporate is entitled to receive a fee of approximately \$15,000 for the preparation of this report, plus out of pocket expenses. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither PKF Corporate, nor any of its directors, employees or associated entities will receive any fees or any other benefits, whether directly or indirectly, for or in connection with the making of this report.

11.7 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints must be in writing and sent to PKF Corporate at the above address.

PKF Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Paul Lom
Director



Steven Perri
Director

Sources of Information

- Mayfield's annual financial statements for the year ended 31 December 2016 and for the half year ended 30 June 2017;
- Mayfield's share register as at 27 September 2017;
- ASX announcements by Mayfield since 1 January 2017;
- Copy of the contract of sale entered into by Mayfield and the Vendor on 15 September 2017;
- Property lease over the premises occupied by the Pebble Patch Childcare Centre;
- Management accounts for the Pebble Patch Childcare Centre for the financial year ended 30 June 2017 and detailed forecasts for the calendar year ending 31 December 2018;
- Weekly occupancy reports for the Pebble Patch Childcare Centre for the period 1 July 2016 to 31 August 2017;
- Information as to comparable transactions sourced from ASX announcements of Think and G8; and
- Discussions with Mayfield's Chief Financial Officer and Company Secretary and Mayfield's legal advisers.

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Chairman of Mayfield pursuant to Chapter 10 of ASX listing rules. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Paul Lom, director of PKF Corporate, prepared this report. He has been responsible for the preparation of a range of expert reports over the past twenty years and is involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Steven Perri, a director of PKF Corporate reviewed this report. Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in an ASX announcement or Notice of Meeting.

PROXY FORM

APPOINTMENT OF PROXY FORM

MAYFIELD CHILDCARE LIMITED
ACN 604 970 390

GENERAL MEETING

I/We

of:

SRN/HIN

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at **9:30am (AEST) on 16 November 2017 at Level 4, 91 William Street, Melbourne**, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

Resolution 1 Approval of the acquisition of Pebble patch ELC Childcare Centre

FOR

☐

AGAINST

☐

ABSTAIN

☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolution 1

If you have not directed your proxy how to vote as your proxy in respect of Resolution 1 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

☐ I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolution 1 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:

Contact name: _____

E-mail address: _____

Contact ph (daytime): _____

Consent for contact by e-mail: YES ☐ NO ☐

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Mayfield Childcare Limited, PO Box 253 Collins Street West, VIC 8007;
 - (b) facsimile to the Company on facsimile number (+61 3) 8596 9967; or
 - (c) in person to Level 4, 91 William Street, Melbourne.

so that it is received not later than **9:30am (AEST) on 14 November 2017**.

Proxy Forms received later than this time will be invalid.