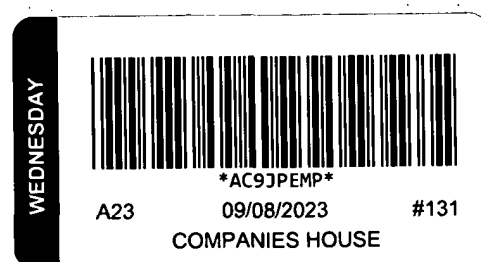


Company Registration No. 03229362

**Busy Bees Day Nurseries (Trading)
Limited**

Annual Report and Financial Statements

For the year ended 31 December 2022



Busy Bees Day Nurseries (Trading) Limited

Annual report and financial statements For the year ended 31 December 2022

Contents	Page
Strategic report	1
Directors' report	9
Directors' responsibilities statement	11
Independent auditor's report	12
Profit and loss account	15
Statement of income and retained earnings	15
Balance sheet	16
Notes to the financial statements	17

Busy Bees Day Nurseries (Trading) Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Business review and future developments

The Company's principal activity is the provision of childcare services under the Busy Bees brand. The Company is part of the Busy Bees Group of companies ('the Group').

The Group has demonstrated strong operational and financial performance during 2022. The Group has continued its growth and international expansion strategy whilst continuing to deliver high quality childcare. The countries in which the Group operates continue to recover post COVID-19 pandemic, with the Group ending the year strongly at 96.5% of pre-COVID occupancy on a like for like basis. In all territories the Group has faced an element of labour shortages, which has temporarily impacted our ability to deliver occupancy growth in certain locations and has meant post-COVID occupancy recovery was slower than it might have been. In addition, the Group has experienced inflationary cost pressures although these have been mitigated by fee increases. The Group has further taken action to manage these labour shortages and cost pressures further detail is in the accounts of Eagle Midco Limited. Average occupancy across the Group's centres for 2022 was 65.7% (2021: 60.9%), improving from the prior year to be c. 3.5% behind 2019 pre-COVID average occupancy (2021: 9% behind pre-COVID average occupancy).

The Company's turnover for the year was £31,597,000 (2021: £28,988,000) and adjusted EBITDA (as set out below) was £4,902,000 (2021: £6,506,000). Profit for the financial year was £3,269,000 (2021: £7,541,000). The directors are satisfied with the financial position. Shareholder's funds were £135,373,000 (£132,104,000 at 31 December 2021). Turnover increased due to higher occupancy in the year. EBITDA and profit for the year were lower than 2021 due to higher staff salaries and the return of full business rates. There was also no derecognition of closed site provision in 2022 which increased the 2021 profit for the year.

	2022 £'000	2021 £'000
Operating profit	3,473	7,532
<i>Add:</i>		
Depreciation on tangible fixed assets	1,429	886
Loss on sale of tangible fixed assets	-	78
<i>Less:</i>		
Derecognition off closed site provision	-	(1,990)
Adjusted EBITDA	<u>4,902</u>	<u>6,506</u>

Key performance indicators for Busy Bees Day Nurseries (Trading) Limited are places available and occupancy of those places. Average occupancy for the year ended 31 December 2022 was 2,082 full time equivalents (FTEs) (2021: 2,029 FTEs) on average places available of 3,695 FTEs (2021: 3,594 FTEs). Occupancy in 2022 has increased from 56.5% in 2021 to 57.9% in 2022. This is below the pre-COVID occupancy which was 66.0% in 2019 the last full year with no COVID impact. The company's occupancy is still behind its pre-COVID level.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company, under section 172.

The Board always aims to act in the best interests of the Company, and to be fair and balanced in its approach. The needs of different stakeholders are always considered as well as the consequences of any decision in the long-term and the importance of our internally published high standards of business conduct. More specific information is given in sub-paragraphs (a) to (f), which correspond to the individual factors disclosed under Section 172(1).

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Section 172(1) Statement (continued)

a. Long-term decision making

The Board maintains oversight of the Company's performance, and reserves to itself specific matters for approval. In addition to this, any major decisions with long-term implications, including significant new business initiatives, would need shareholder approval under the Company Articles of Association, to ensure that the business decisions taken locally are in alignment with the long-term strategy of the Company. Any decisions approved either locally or by the Shareholders, are then implemented, with subsequent Board oversight to ensure these are in accordance with the agreed strategy.

b. Stakeholders: Employees

The Group pursues a policy of meeting with representatives of various sections of employees at which relevant information and developments are discussed. Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

During 2022 and the prior period there were no employee consultations. Please refer to the statement of employee engagement below on page 4.

c. Stakeholders: Customers, Suppliers, Others

Parents and children

The Group strives to put our customers, our parents and their children, at the heart of our business through ongoing, honest and personal communications to parents about their children, their development and the wider business.

The Group communicates with parents through several channels which help to ensure the achievement of the Group's Vision, to deliver the best start in life for each child which is aligned with what is important for our parents. We aim to deliver best-in-class, seamless and easy-to-use parent communications to delight our customers and reduce frustration points.

We have now successfully rolled out and launched a comprehensive Net Promoter Score, ('NPS') programme across all our global territories, giving us more robust parent feedback and allowing us to accurately measure a number of new and existing parent customer satisfaction metrics. This daily source of parent feedback allows direct and individual management of every parent query by our centre management teams.

Across the Group, we operate a number of parent facing apps (iConnect/Parent Zone in the UK for example), designed to support direct parent partnership with centres and educators and allowing instantaneous flow of information to parents about their children and their Busy Bees experience. The Group also actively encourages the development of relationships at centre level, with Parent Partnership Groups (including elected parents) meeting on a regular basis to encourage good communication between parents and the centre. Centre social media pages are also used to promote parent community.

The Group continues to keep parents up to date with regular updates on the impact of Government guidance on how centres operate and the safety measures taken to protect children and educators, including our Visit Safe process to allow families in need of childcare to visit and experience our centres safely.

From the start of a parent's journey with us, our CRM programmes allow customisable parent communications to help shape the parent enquiry management journey, allowing us to send communication (both operational and marketing) to parents centrally or at a centre level. Our CRM works hand in hand with our management system, which enables the business to keep its parents up to date with all key relevant information for the business. Understanding the parent journey is a focus for the Group and our investment in social listening (via Meltwater) enables us to keep abreast of both brand and social media comments.

The Board recognises how fundamental the relationship with parents is to achieve the Group's Vision and Mission. The Board ensures it is regularly briefed on key issues raised at a Centre level by parents and decisions such as pricing, quality and curriculum tools and initiatives, all of which is reflected in discussions on the annual Operating Plan.

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Suppliers

Suppliers are managed by Group Management on both a territory and Group basis, with the Board briefed regularly on significant supplier relationships or issues. Suppliers are important to our business because a steady supply of great value and quality goods and services enables our centres to deliver continuity of service to our families.

Each significant supplier is required to have a dedicated account manager, with a commitment to maintain regular meetings (at least quarterly) to assess the relationship and ensure consistent communication. We recognise the importance of good supplier management and are proactive in how we handle them. We are focused on ensuring we meet our payment terms with suppliers and measure of payment practice reporting.

We have an established procurement process that ensures suppliers go through a level of diligence prior to being onboarded which includes, assessing the size of the Company, financial diligence, an assessment of the origin of products and supplies, submission of their ABC, Modern Slavery policies and any (where applicable) legal and industry standard accreditations. We also assess prospective suppliers' ESG credentials giving preference to suppliers who are actively working to reduce their impact on the environment. We contractually mandate suppliers to reduce packaging to the bare minimum.

Significant suppliers, being those providing centre-facing products or services and critical infrastructure, and critical systems/software are required to observe key procurement principles in order to be listed as a preferred supplier. Tailored procurement principles communicated to these suppliers clearly at the outset and during the relationship, covering quality standards, service levels, payment, price and margin transparency. In the UK, preferred suppliers are now mandated to be onboarded to our contract terms which cover and bind the suppliers to adhere to the standards of our key global policies and must submit their own accreditations, to us on an annual basis.

d. Stakeholders: Community & Environment

The Group engages with the community both centrally and locally, with centre directors given the autonomy to engage with their local communities to support local causes and issues. Centres are encouraged and supported to partner with local community causes, and local fund raising (often for families using our centres).

In the UK level, the Group has partnered with Child Bereavement UK since 2018. We have raised over £200,000 for Child Bereavement UK with the help of our generous families and thoughtful staff teams during our partnership.

In the UK, we offer support on a short-term basis by sharing our expertise and care with families in need. Key community initiatives are reported to the Board as part of the regular reporting structures in place.

During the year the Group finalised and reported its ESG strategy and initiatives. The Group's environmental strategy focuses on reducing carbon emissions with a target to achieve net zero carbon by 2030, reducing energy and material consumption and improving procurement traceability. The Group's social strategy includes a commitment to continue to deliver outstanding early years education, build upon our diverse and inclusive workforce, and to continue to support families in crisis as well as charity and community partners. We aim to continue to deliver exceptional governance across the Group and our governance programme, policies and procedures exist to help hold us accountable. As the Group grows and makes further acquisitions, our governance programme helps to maintain the cohesiveness of our organisation.

In setting the ESG strategy, we have set ambitious targets and goals and will be measuring our performance against these and identifying opportunities on an annual basis. To measure our performance, we have set a baseline in terms of how we are currently performing across environmental, social and governance as a Group.

The Board were responsible for the approval of the Group's ESG strategy and will continue to monitor the Group's performance in this area both separately and through inclusion of the ESG strategy in the Group's strategic plan. The independent Non-executive director has been nominated as a Board sponsor. In February 2022, the Group recruited an ESG Manager to oversee the day-to-day implementation of the Group's ESG strategy and reporting.

The Board's ESG strategy responded to the Group's risks identified in relation to climate change which is included within the Group's risk register (regularly reviewed by the Board and Audit Committee). External support was sought to help Group Management to develop the ESG strategy on behalf of the Board and align the Group's ESG strategy to the UN SDGs. Over the next few years, the Group will look to further develop its ability to predict the impact of climate related risks and opportunities over the short, medium, and long term and use this to further refine the Group's ESG strategy and planning in response to risks identified.

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Section 172(1) Statement (continued)

e. Reputation for high standards of business conduct

The Board is responsible for developing the corporate culture across the Company, which promotes integrity and transparency. The Company uses the same comprehensive systems of corporate governance and approves policies and procedures which promote corporate responsibility and ethical behaviour, as are implemented within Eagle Topco Limited and its subsidiaries. Central to these policies is the Code of Conduct. This applies to all Directors and employees and is embedded into the Company's operations.

f. Acting fairly as between members of the Company

The Board aims to understand the views of its shareholder and always to act in their best interests. In order to do this, the Board works closely with the principal shareholder on a very regular basis to ensure operations, strategy and performance are aligned with the long-term objectives of the shareholders, while complying with the Articles of Association of the Company.

Statement on Employee Engagement

The Group values its workforce and considers its people to be our most important asset. We believe in supporting and investing in everyone who works at Busy Bees, and key to this is open communication with our people.

The Group has an independently administered whistleblowing helpline, 'Speak Up', which allows the workforce and other stakeholders to raise concerns if required.

The Group, with Board support and direction, has commenced a wider HR Strategy encompassing a diversity and inclusion strategy and succession planning strategy. Although Busy Bees is an equal opportunities employer, most organisations within our sector have a predominantly female front-line workforce. Whilst we celebrate a high percentage of women in leadership roles within our business, a goal for us remains to attract more male practitioners and managers to our Company. We firmly believe a diverse workforce will allow us to provide rich learning opportunities and effective role modelling to the children in our care and create a well-rounded pool of talent.

During 2022 weekly management meetings across Europe were held, attended by the Group Directors and UK National Support Centre management. The meetings facilitated the communication of key business and operational matters and also gave employees an opportunity to ask questions about the business, its strategy, and objectives, with the outcome disseminated through the business through the management structure. In addition to monthly data being available on dashboards, members of Group Management hold an annual update meeting for UK National Support Centre employees to attend where performance and department specific initiatives are presented.

The Group has internal communications for all employees and Centre Directors to a weekly communication summarising key business messages.

UK annual events are extended to centre level managers where they are invited to attend an annual managers' awards ceremony, to recognise the achievements of the wider workforce during the year. The ceremony includes a Group update and a presentation on upcoming initiatives. The ceremony also provides an opportunity for networking, with senior managers (including Group Management) in attendance and available for managers to discuss issues of concern to them and raise questions.

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Statement on Business Relationships

Investors

The Chairman and the respective investor directors ensure that the Board and the Group is made aware of the views of the significant investors and the issues relevant to them. The Group attaches significant importance to maintaining an effective engagement with investors to ensure a mutual understanding of investor and Board objectives and to deal with issues of concern. OTP consent is required on certain key decisions, with communication on these matters led by the Chairman and the Group Chief Executive Officer. The Board and Group Management are also aware of and comply fully with the investor information requirements detailed in the Investment Agreement. The Board engage with investors through a number of formal Board and Committee mechanisms and in addition have a good working relationship with open communication between the Board, Senior Management and OTP and Temasek.

Lenders

The Group, through the Group Management team and members of the Board, provide our bank lending syndicate with a quarterly covenant compliance certificate and quarterly accounts to ensure they are kept informed of business activities and progress. On an annual basis, the Group Chief Executive Officer and the Group Chief Financial Officer hold a lender presentation to provide them with an update on the Group and its strategy (both financial and operational) for the coming year. This was supplemented during the year when the Group sought to refinance and subsequently draw down additional funds under its SFA.

The Group also maintains regular ad hoc dialogue with the lending syndicate throughout the year (predominantly through the agent) to inform them of acquisitions and any other material changes in the business.

Sector Stakeholders – government and other regulatory bodies

As a leading childcare provider in the UK, the Group places significant emphasis on its engagement with government representatives (local and central) as well as the key related regulatory and sector organisations. The Group actively engages in a positive way in many of the territories it operates in, with government at a ministerial, civil service and local level and regularly reviews its compliance with policy and funding requirements. Any changes to the legal and regulatory environment are captured as emerging risks through our risk management process with identified owners and action plans to ensure compliance when the changes come into effect. Our external legal advisers also provide detailed reviews in respect of existing and upcoming legislation that may affect the Group. A failure to comply could lead to unanticipated regulatory penalties or sanctions, as well as damage to our reputation. Engagement with these stakeholders affords the opportunity for Busy Bees to influence and affect policy through the collection of data, the amplification of our vision and demonstration of exemplary practice. The Group has a dedicated external affairs and government relations officer, who leads this interaction, to share knowledge, challenges and issues on behalf of the Group and the wider sector.

This engagement, which includes round table discussions, regular meetings as well as reactive meetings and discussions provides us with government thinking and advice around sector regulation but also enables us to share pre-policy views and guidance, the aim of which is to influence the direction of regulation of the sector as a whole. The Board receives regular reports on all engagement with government across the Group, with the impact of external factors such as regulation of the sector and government funding of the sector reviewed and considered when making decisions around short term and long-term strategy for the Group.

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Principal risks and uncertainties

People risk

The Company has noted an increase in the risk around the recruitment and retention of employees, particularly centre-level qualified employees during the current year and this is currently a principal risk for the Company. This increases the risk of not achieving the desired business performance, growth and quality as the Company may not have enough suitable employees to operate at the desired level and replacement employees may have less experience.

Alongside this, the Company has experienced increased wage and cost pressure due to increasing employee turnover, the increasingly competitive recruitment market and recruitment costs, and has built those into operating plans. The increase in this risk is due in part to macroeconomic factors, reducing the availability of suitably qualified and experienced employees.

In response to these pressures, additional Board reporting has been introduced to allow the Board to monitor the operational and financial impact more closely and take appropriate action as needed. The Company has developed Education and Training capability in the UK, this not only allows the Company to offer high quality training to employees, but also to bring through a pipeline of apprentices to meet demand for childcare professionals.

The Company has a number of employee engagement channels which are utilised to monitor sentiment and adjust strategies, and has made an investment in employee remuneration and employee benefits, particularly for centre employees.

Credit risk

The directors manage the credit risk in the Company by requiring the majority of the parents whose children attend the Company's nurseries to pay in advance and by carefully managing receivables exposure on all parents.

Liquidity risk

The directors have a policy of maintaining larger cash balances than are required for working capital purposes to provide a buffer against liquidity and recessionary risks. As a result of this policy and careful working capital management, the directors are able to ensure the company has excess liquidity and is well placed to pay any suppliers as they fall due.

The risks detailed below are those that are considered to effect the Group and are deemed relevant to this Company and its subsidiaries.

Market risk

Aside from the key risks facing most businesses, for example those of reputation and competition and market change, the Group, and therefore the company, considers its key risks to be as follows:

- health and safety for young children in relation to which the Group has a dedicated compliance team that defines policy and procedure and closely monitors and reports compliance performance;
- change of government policy and the implementation of policy at a local level including free entitlement funding. The Group actively engages in a positive way with Government at a ministerial, civil service and local level and has a strong voice with each element of government; and
- cyber attack/(s) on our IT environment leading to loss of personal data and company information, as well as ongoing disruption to business operations. The Group has formalised disaster recovery plans, ongoing training, data protection controls and review of IT processes as well as stress testing of IT systems.
- impact of COVID-19 on the global economy, the group has also conducted an analysis of the potential risks surrounding COVID-19 and the ability of the group to respond to the potential reduction in demand and constraints on labour and cost. As noted above, we believe that the group has the ability to mitigate the risks involved and be able to generate sufficient cash flows to continue as a going concern.
- The medium to longer term impact of the wider economy in relation to recession, cost of living and inflation and the impact on the affordability of childcare which has increased in terms of likelihood and impact during the year. We do not believe there is any short-term material risk to either our customer base, our workforce or our supply chain other than those described separately above.

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Going concern

In preparation of the financial statements, the directors have made an assessment of the Group's and the Company's ability to continue as a going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out above.

The Company is dependent on the ability of other Group companies to settle their obligations to the Company on a timely basis.

The group has existing TLB loans of £365.9m and €637.1m under Senior Facilities Agreement ("SFA"). In addition, the Group has a £100.0m RCF facility. The TLB loans expire in March 2028, the RCF facility expires in September 2027. The TLB loans are a 'cov-lite' facility meaning there are no leverage covenant tests on the Group's financing other than on the RCF facility if more than 40% of it is drawn being in excess of £40m drawn. In this scenario, a leverage covenant of Group indebtedness to EBITDA of 9.85 times would apply.

During the year, the group drew down on its RCF facility to fund acquisitions completed during the year. The maximum amount drawn at any one time was £82.5m. The amount drawn at 31 December 2022 was £18.0m; an amount of £15.0m is held for bank guarantees leaving available undrawn RCF facility of £67.0m at 31 December 2022. In the year to 31 December 2022 the Group made a loss after tax of £28.4m.

The Group has prepared detailed forecasts for the period up to September 2024 which demonstrate that the Group is able to generate sufficient cash flows to operate within its financing arrangements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the Group's cashflow drivers. The Group's forecasts include increases in employment costs, other costs and interest costs already realised or expected to be realised during 2023 and 2024 and reflects expected increases in income as a result of planned price increases and occupancy. Government COVID-19 support schemes are not included in the forecast and the forecast excludes any non-committed future acquisitions.

The forecast demonstrated that the Group is able to operate within its financing arrangements. The covenant compliance ratio at December 2022 is 4.92:1 vs a maximum ratio of 9.85:1. EBITDA at December 2022, as per lender reporting requirements, would need to fall by 50% in order to breach forecast covenant compliance.

The Group cannot predict the indirect impact of any potential economic downturn. Having reviewed the Group's principal risks, the most significant impact on the Group's cashflows would be a combination of the Group's principal risks materialising in a temporary or prolonged reduction in occupancy and consequently cashflows. The current forecast is based on the Group's 2023 operating plan and thereafter the Group's longer-term forecasts. To assess any potential impact on the Group's cashflows and liquidity, various sensitivities have been performed reflecting a reduction in occupancy rates, including occupancy falling up to 10% below the current forecast. This reduction in occupancy is considered a reasonable reduction to sensitise the Group's cashflows to as it is based on the Group's previous experience of occupancy trends following the impact of global economic slowdowns. The Group has also sensitised the Group's cashflows to the specific principal risk of further cost increases, from higher than expected employee costs, other supply costs and interest costs over and above those already included within the current forecast. Under the combination of these sensitivities, and with occupancy falling to 10% below the current forecast, and costs increasing by 4% above the current forecast, the Group would have a minimum liquidity headroom, inclusive of the available undrawn RCF facility, of £2.0m in the forecast period and would remain in compliance with the leverage test covenant.

In the period to May 2023, the Group is performing in line with forecast in relation to occupancy and costs. To fund acquisitions, at 30 June 2023 the Group has drawn £71.0m of RCF, with £16.0m held for guarantees and therefore has £13.0m of available RCF.

As a consequence, the directors believe that the Group is well-placed to manage its business risks successfully and have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future, being not less than 12 months from date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company made a profit after taxation of £3,269,000 (2021: £7,541,000) and has net current assets of £123,412,000 (2021: £120,196,000) and net assets of £135,373,000 (2021: £132,104,000). The Company is financed through an inter-company facility with Busy Bees Holdings Limited, a fellow Group Company, and there is an unlimited cross guarantee between the Company and other group companies in respect of bank borrowings.


Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Going concern (continued)

The Company is reliant on the support of its parent Company, Eagle Superco Limited, to be able to meet its liabilities as they fall due. However, the directors consider that the Company is an integral part of Eagle Superco Limited structure and strategy, which is evidenced by a letter of comfort from Eagle Superco Limited, which states its commitment to provide necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of approval of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board of Directors and signed on its behalf by:



M P Muller
Director
30 June 2023

St Matthews
Shaftsbury Drive
Burntwood
Staffordshire
WS7 9QP
United Kingdom

Busy Bees Day Nurseries (Trading) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. Details of the directors' assessment of future developments, employee engagement (page 4), going concern and principal risks are set out in the strategic report.

Proposed dividend

The directors do not recommend payment of a final dividend (2021: £nil).

Post balance sheet events

There are no post balance sheet events.

Directors

The directors who held office during the year and subsequently were as follows:

S A Irons (Resigned 12 October 2022)

M J Randles (Resigned 12 October 2022)

C Phizacklea (Resigned 12 October 2022)

M P Muller

C J Creaser (Appointed 12 October 2022)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the period and remain in force at the date of this report. The provisions made by the company are in force for the benefit of one or more directors of an associated companies.

Employees

The Company pursues a policy of meeting with representatives of various sections of employees at which relevant information and developments are discussed. Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career developments and promotion.

Energy and carbon reporting

The Company has taken advantage of the exemption in Part 7A of schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 from the carbon reporting disclosure as it is a subsidiary undertaking and is included in the consolidated financial statements of Eagle Midco Limited and Eagle Superco Limited. See note 17 for further details.

Political contributions

During the year, there were no political donations (2021: £nil).

Charity contributions

During the year, there were no charity contributions (2021: £nil).

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP are deemed to be reappointed as the Company's auditor s487(2) of the Companies Act 2006.

Busy Bees Day Nurseries (Trading) Limited

Directors' report (continued)

Approved by the Board of Directors and signed on its behalf by:



M P Muller

Director

30 June 2023

St Matthews
Shaftsbury Drive
Burntwood
Staffordshire
WS7 9QP
United Kingdom

Busy Bees Day Nurseries (Trading) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Busy Bees Day Nurseries (Trading) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Busy Bees Day Nurseries (Trading) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of income and retained earnings;
- the balance sheet; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Busy Bees Day Nurseries (Trading) Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Childcare Act 2006 and Data Protection Act 2018.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of Busy Bees Day Nurseries (Trading) Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

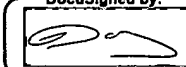
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Joseph Darby, ACA

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

30 June 2023

Busy Bees Day Nurseries (Trading) Limited

Profit and loss account

For the year ended 31 December 2022

	Note	2022 £ '000	2021 £ '000
Turnover	4	31,597	28,988
Other income	5	-	120
Cost of sales		(19,264)	(16,291)
Gross profit		12,333	12,817
Administrative expenses		(8,860)	(5,285)
Operating profit	5	3,473	7,532
Profit before taxation		3,473	7,532
Tax (charge)/ credit on profit	8	(204)	9
Profit for the financial year		3,269	7,541

All amounts relate to continuing activities.

There are no items of other comprehensive income in either year other than those reflected in the profit and loss account. Accordingly, no separate statement of other comprehensive income is presented.

Statement of income and retained earnings

For the year ended 31 December 2022

	2022 £ '000	2021 £ '000
Retained earnings at the beginning of the year	78,883	71,342
Profit for the financial year	3,269	7,541
Retained earnings at the end of the year	82,152	78,883

The notes on pages 17 to 27 form part of these financial statements.

Busy Bees Day Nurseries (Trading) Limited

Balance sheet

As at 31 December 2022

	Note	2022 £ '000	2021 £ '000
Fixed assets			
Tangible assets	9	12,159	11,908
		<u>12,159</u>	<u>11,908</u>
Current assets			
Debtors	10	131,042	127,104
Cash at bank and in hand		74	1,128
		<u>131,116</u>	<u>128,232</u>
Creditors: amounts falling due within one year	11	(7,704)	(8,036)
Net current assets		<u>123,412</u>	<u>120,196</u>
Total assets less current liabilities		135,571	132,104
Provisions for liabilities	12	(198)	-
Net assets		<u>135,373</u>	<u>132,104</u>
Capital and reserves			
Called-up share capital	13	17,383	17,383
Share premium account		35,838	35,838
Profit and loss account		82,152	78,883
Total shareholder's funds		<u>135,373</u>	<u>132,104</u>

These financial statements of Busy Bees Day Nurseries (Trading) Limited (registered number 03229362) were approved by the board of directors and authorised for issue on 30 June 2023. They were signed on its behalf by:



M P Muller
Director

The notes on pages 17 to 27 form part of these financial statements.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

1. Basis of preparation

Busy Bees Day Nurseries (Trading) Limited (the Company) is a Company incorporated in England, United Kingdom under the Companies Act 2006.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 8.

These financial statements have been prepared under the historical cost basis of accounting, and in accordance with FRS 102 and with the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 102 and advantage has been taken of certain of the disclosure exemptions set out in paragraph 1.12 of that standard. Accordingly, the following disclosures have not been made in these financial statements:

- financial instruments as otherwise required by section 11 of FRS 102;
- a cash flow statement as otherwise required by section 7 of FRS 102; and
- key management personnel compensation as otherwise required by paragraph 33.7 of FRS 102.
- exemption from related party transactions with other wholly owned subsidiaries of Eagle Superco Limited in line with FRS 102 paragraph 33.1A.

Functional currency

The functional currency is pounds sterling as that is the currency of the economic environment in which the Company operates.

2. Accounting policies

Going concern

In preparation of the financial statements, the directors have made an assessment of the Group's and the Company's ability to continue as a going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out above.

The Company is dependent on the ability of other Group companies to settle their obligations to the Company on a timely basis.

The group has existing TLB loans of £365.9m and €637.1m under Senior Facilities Agreement ("SFA"). In addition, the Group has a £100.0m RCF facility. The TLB loans expire in March 2028, the RCF facility expires in September 2027. The TLB loans are a 'cov-lite' facility meaning there are no leverage covenant tests on the Group's financing other than on the RCF facility if more than 40% of it is drawn being in excess of £40m drawn. In this scenario, a leverage covenant of Group indebtedness to EBITDA of 9.85 times would apply.

During the year, the group drew down on its RCF facility to fund acquisitions completed during the year. The maximum amount drawn at any one time was £82.5m. The amount drawn at 31 December 2022 was £18.0m; an amount of £15.0m is held for bank guarantees leaving available undrawn RCF facility of £67.0m at 31 December 2022. In the year to 31 December 2022 the Group made a loss after tax of £28.4m.

The Group has prepared detailed forecasts for the period up to September 2024 which demonstrate that the Group is able to generate sufficient cash flows to operate within its financing arrangements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the Group's cashflow drivers. The Group's forecasts include increases in employment costs, other costs and interest costs already realised or expected to be realised during 2023 and 2024 and reflects expected increases in income as a result of planned price increases and occupancy. Government COVID-19 support schemes are not included in the forecast and the forecast excludes any non-committed future acquisitions.

The forecast demonstrated that the Group is able to operate within its financing arrangements. The covenant compliance ratio at December 2022 is 4.92:1 vs a maximum ratio of 9.85:1. EBITDA at December 2022, as per lender reporting requirements, would need to fall by 50% in order to breach forecast covenant compliance.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Going concern (continued)

The Group cannot predict the indirect impact of any potential economic downturn. Having reviewed the Group's principal risks, the most significant impact on the Group's cashflows would be a combination of the Group's principal risks materialising in a temporary or prolonged reduction in occupancy and consequently cashflows. The current forecast is based on the Group's 2023 operating plan and thereafter the Group's longer-term forecasts. To assess any potential impact on the Group's cashflows and liquidity, various sensitivities have been performed reflecting a reduction in occupancy rates, including occupancy falling up to 10% below the current forecast. This reduction in occupancy is considered a reasonable reduction to sensitise the Group's cashflows to as it is based on the Group's previous experience of occupancy trends following the impact of global economic slowdowns. The Group has also sensitised the Group's cashflows to the specific principal risk of further cost increases, from higher than expected employee costs, other supply costs and interest costs over and above those already included within the current forecast. Under the combination of these sensitivities, and with occupancy falling to 10% below the current forecast, and costs increasing by 4% above the current forecast, the Group would have a minimum liquidity headroom, inclusive of the available undrawn RCF facility, of £2.0m in the forecast period and would remain in compliance with the leverage test covenant.

In the period to May 2023, the Group is performing in line with forecast in relation to occupancy and costs. To fund acquisitions, at 30 June 2023 the Group has drawn £71.0m of RCF, with £16.0m held for guarantees and therefore has £13.0m of available RCF.

As a consequence, the directors believe that the Group is well-placed to manage its business risks successfully and have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future, being not less than 12 months from date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company made a profit after taxation of £3,269,000 (2021: £7,541,000) and has net current assets of £123,412,000 (2021: £120,196,000) and net assets of £135,373,000 (2021: £132,104,000). The Company is financed through an inter-company facility with Busy Bees Holdings Limited, a fellow Group Company, and there is an unlimited cross guarantee between the Company and other group companies in respect of bank borrowings.

The Company is reliant on the support of its parent Company, Eagle Superco Limited, to be able to meet its liabilities as they fall due. However, the directors consider that the Company is an integral part of Eagle Superco Limited structure and strategy, which is evidenced by a letter of comfort from Eagle Superco Limited, which states its commitment to provide necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of approval of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (d) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (e) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (f) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (g) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Related party transactions

The Company is exempt from the requirements of section 33 of FRS 102 to disclose transactions with other wholly-owned group undertakings as its financial statements are included in the consolidated financial statements of a parent Company whose financial statements are publically available.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold and long leasehold land and buildings	over 50 years with an expected residual value of 50%
Short leasehold improvements	over the period of the lease
Nursery and office equipment	over four to five years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

2. Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on straight-line basis over the lease term.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to income or to assets. Grants relating to assets are deferred and credited to the income statement as the related asset is depreciated. Grants relating to income are recognised as income over the period in which the related costs are recognised. Grants relating to income are recognised in revenue if they relate to Government grant income directly linked to the provision of nursery services, representing additional government funding to supplement the amounts paid by parents. Otherwise grants related to income are recognised as to offset the costs they are intended to compensate.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less than the value at which it is recognised, a deferred tax liability is recognised for the additional tax that will be paid in respect of that difference. Similarly, a deferred tax asset is recognised for the additional tax that will be avoided because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment carried at deemed cost is provided based on the difference between the accounts and tax base costs. Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

Pension costs

The Company contributes to a number of money purchase pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension charge represents the amounts payable by the Company to the schemes during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

3. Accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from the sources. There are no critical accounting estimates in the current or prior year.

The estimates and associated assumptions relate to provisioning against receivables and recognition of grant income and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There were no significant sources of, or items, of estimation uncertainty.

Critical accounting judgements

The sale and leaseback transaction carried out in previous years involves the legal form of a lease and is a critical accounting judgement. It is necessary to determine whether the associated transactions are linked and whether the arrangement meets the form of a lease under FRS 102. The directors have concluded based on the facts and circumstances that the sale and leaseback transaction does have the features of a lease arrangement and hence accounting as a sale and operating lease transaction is appropriate.

4. Turnover

Turnover represents the value of sales, excluding value added tax and is attributable to the Company's principal activity and arises wholly within the United Kingdom. Nursery fees paid in advance are held in deferred income and only recognised in the period to which they relate. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

5. Operating profit

	2022 £ '000	2021 £ '000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 9)	1,429	886
Loss on sale of tangible fixed assets (note 9)	-	78
Derecognition of closed site provision	-	(1,990)
Hire of other assets – operating leases	17	20
Hire of land & buildings – operating leases	3,636	3,507
Employee related COVID-19 Government grant income	-	(120)
COVID-19 costs	-	68
Redundancy and reorganisation costs	-	1

The fees payable to the Company's auditor for the audit of the Company's annual financial statements of £22,000 (2021: £20,000) were borne by another Group Company. There were no non-audit fees in the year (2021: £nil).

Income classified as "Employee related COVID-19 Government Grant income" relates to income received to offset employment costs predominantly where employees were unable to work due to the COVID-19 pandemic.

COVID-19 costs of £nil (2021: £68,000) relate to one off costs of additional health and safety items required in order for the business to operate safely.

Redundancy and reorganisation costs of £nil (2021: £1,000) relate to a restructuring of roles within centre administration.

The Company also benefited from Government assistance designed to mitigate the impact of COVID-19 in the form of forgiven rates. The estimated benefit of this assistance is £nil (2021: £646,000).

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

6. Staff numbers and costs

The average monthly number of persons employed during the year was:

	Number of employees	
	2022	2021
Administrative and management	70	71
Nursery staff	637	598
	<u>707</u>	<u>669</u>

The aggregate payroll costs of these persons were as follows:

	2022 £ '000	2021 £ '000
Wages and salaries	15,467	13,262
Redundancy and reorganisation costs (note 5)	-	1
Social security costs	1,045	836
Pension	258	218
	<u>16,770</u>	<u>14,317</u>

7. Directors' remuneration

	2022 £ '000	2021 £ '000
Director's emoluments	-	35
Company contributions to money purchase schemes	-	1
	<u>-</u>	<u>36</u>

Retirement benefits are accruing to no directors (2021: none) in office at the period end under money purchase schemes.

The directors received emoluments from other Group companies for their services to all Group companies. It is not considered practical or possible to accurately apportion these costs to each entity in the Group. Given the relative size of the respective entities, the effect of not apportioning these costs for disclosure purposes is not considered to be material. The emoluments in the prior year relate to one director, whose remuneration is disclosed on a pro-rata basis in Busy Bees Day Nurseries (Trading) Limited and Busy Bees Nurseries Limited. In the prior year the other three directors were remunerated by Busy Bees Holdings Limited, parent Company of this Company, and their remuneration is disclosed in that Company's financial statements.

All staff costs, including pension costs, are paid by a fellow Group Company. These costs are then recharged to the Company through intercompany recharges.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2022**

8. Tax on profit

	2022 £ '000	2021 £ '000
Deferred tax		
Origination and reversal of timing differences	(76)	10
Effect of change in rate of corporation tax	(35)	(3)
Adjustment in respect of previous periods	(93)	2
	<u>(204)</u>	<u>9</u>
Total deferred tax (charge) / credit (see note 12)	<u>(204)</u>	<u>9</u>
Tax (charge) /credit	<u>(204)</u>	<u>9</u>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2022 £ '000	2021 £ '000
Profit before tax	<u>3,473</u>	<u>7,532</u>
Tax on profit at standard UK corporation tax rate of 19.00% (2021: 19.00%)	(660)	(1,431)
Effect of:		
-Deferred tax not provided	(12)	25
-Income not taxable		39
-Expenses not deductible for tax purposes	(4)	(27)
-Tax rate changes	(35)	(3)
-Revaluations	4	(6)
-Disposal at nil gain nil loss	-	(15)
-Group relief obtained for nil consideration	596	1,425
-Adjustments to tax charge in respect of previous periods	(93)	2
	<u>(204)</u>	<u>9</u>
Total tax (charge) /credit for the year	<u>(204)</u>	<u>9</u>

Factors that may affect future tax charges

The standard rate of tax applied to the reported profit is 19.00% (2021: 19.00%).

In the Autumn 2022, the Government confirmed, a previously announced, an increase in corporation tax rate from 19% to 25% with effect from 1 April 2023. This increase will increase the companies' current tax charge. As this rate was substantively enacted at 31 December 2022 this has been reflected in the valuation of deferred tax assets and liabilities at the balance sheet date. Deferred tax balances at 31 December 2021 which are expected to reverse after 1 April 2023 have been calculated at 25% (2021: 25%). The company has £19k of unrecognised deferred tax assets (2021: £25k unrecognised deferred tax liabilities) which does not have an expiry date.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

9. Tangible assets

	Freehold and long leasehold land and buildings £ '000	Short leasehold improve- ments £ '000	Nursery and office equipment £ '000	Total £ '000
Cost				
At 1 January 2022	9,588	2,369	4,327	16,284
Additions	-	13	1,667	1,680
At 31 December 2022	9,588	2,382	5,994	17,964
Accumulated depreciation				
At 1 January 2022	730	1,628	2,018	4,376
Charge for the year	96	78	1,255	1,429
At 31 December 2022	826	1,706	3,273	5,805
Net book value				
At 31 December 2022	8,762	676	2,721	12,159
At 31 December 2021	8,858	741	2,309	11,908

The freehold land and buildings have a net book value of £4,978k (2021: £5,032k). The long leasehold land and buildings have a net book value of £3,784k (2021: £3,826).

10. Debtors

	2022 £ '000	2021 £ '000
Amounts falling due within one year:		
Trade debtors	72	81
Amounts owed by group undertakings	130,091	126,284
Prepayments and accrued income	626	577
Other debtors	253	156
Deferred tax asset (see note 12)	-	6
	<u>131,042</u>	<u>127,104</u>

There is no repayment date attached to the amount owed by group undertakings. There was no interest charged on the amounts owed by group undertakings (2021: nil%). The amounts owed relate to trading balances.

Amounts owed by group undertakings are repayable on demand; however, we do not anticipate needing to recall any funds in the next 12 months.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

11. Creditors: amounts falling due within one year

	2022 £ '000	2021 £ '000
Trade creditors	397	1,260
Amounts owed to group undertakings	4,382	2,063
Other taxes and social security	187	354
Other creditors	1,574	2,556
Accruals and deferred income	1,164	1,803
	<u>7,704</u>	<u>8,036</u>

There is no repayment date attached to the amount owed to group undertakings, they are intercompany trading balances. There was no interest charged on the amounts owed to group undertakings (2021: nil).

12. Deferred tax (assets) / liabilities

	Deferred taxation £ '000
At 1 January 2022	(6)
Profit and loss account credit	204
At 31 December 2022	<u>198</u>

Deferred tax balances at 31 December 2022 which are expected to reverse after 1 April 2023 have been calculated at 25%, otherwise at 19% (2021: 19%). The deferred tax provision is as follows:

	2022 £ '000	2021 £ '000
Difference between accumulated depreciation and capital allowances	217	25
Other short term timing differences	(19)	(31)
Deferred tax liabilities/ (asset) at end of year	<u>198</u>	<u>(6)</u>

13. Called-up share capital

	2022 £'000	2021 £'000
Authorised, called-up, allotted and fully paid 173,827,759 ordinary shares of £0.10 each	<u>17,383</u>	<u>17,383</u>

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

14. Commitments

- (a) The Company had no capital commitments at 31 December 2022 (2021: £nil).
- (b) The Company provides an unlimited cross guarantee to other group companies in respect of bank borrowings. Total group bank borrowings at 31 December 2022 are £948.3m (2021: £813.1m).
- (c) Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022		2021	
	Land and buildings £ '000	Other £ '000	Land and buildings £ '000	Other £ '000
Minimum lease payments due:				
- within one year	3,913	16	3,310	14
- between one and five years	15,063	18	14,021	-
- after five years	13,825	-	15,163	-
	<u>32,801</u>	<u>34</u>	<u>32,494</u>	<u>14</u>

15. Pensions

The Group operates a money purchase scheme for the benefit of certain employees. Contributions are charged to the profit and loss account in the year to which they relate. The charge in the year was £258,000 (2021: £218,000). At 31 December 2022 £82k of this was still to be paid (2021: £164k).

16. Related party transactions

The Company has taken the exemption available under FRS 102 not to disclose related party transactions with other 100% controlled members of the same Group. There were no other related party transactions in the year.

17. Controlling parties

The Company's immediate parent undertaking is Busy Bees Holdings Limited. The largest Group into which the Company is consolidated is the Group headed by Eagle Superco Limited and the smallest Group into which the Company is consolidated is the Group headed by Eagle Midco Limited. Busy Bees Holdings Limited, Eagle Superco Limited and Eagle Midco Limited are all incorporated in United Kingdom and registered at St Matthews, Shaftsbury Drive, Burntwood, Staffordshire, WS7 9QP. The consolidated financial statements of Eagle Superco Limited can be obtained from the Company's registered address above. The ultimate parent Company is Eagle Superco Limited and the ultimate controlling party is the Ontario Teachers' Pension Plan incorporated in Canada, its registered address is 5650 Yonge Street, Toronto, Ontario, M2M 2H5.