

Company Registration No. 06903391

Busy Bees Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



Busy Bees Holdings Limited

Annual report and financial statements For the year ended 31 December 2020

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Busy Bees Holdings Limited

Strategic report

The directors present their Strategic Report for the year ended 31 December 2020.

Business review and future developments

The company's principal activity is that of an intermediary holding company that provides management services to its subsidiaries. The company is part of the Busy Bees group of companies ('the group'). It is expected that the company will continue to act as an investment holding company and management services for the foreseeable future.

Turnover for the year was £55,000 (2019: £76,000) and EBITDA (see below) was a loss of £2,693,000 (2019: loss of £4,379,000). The profit for the financial year was £14,418,000 (2019: loss of £8,552,000). The directors are satisfied with the financial position. Shareholder's funds was £75,500,000 at 31 December 2020 (2019: £61,119,000).

	2020 £ '000	2019 £ '000
Operating profit/(loss)	16,524	(6,863)
<i>Add:</i>		
Depreciation of tangible fixed assets	76	83
Income received from group undertakings	(19,293)	-
Impairment of investments	-	2,401
EBITDA	<u>(2,693)</u>	<u>(4,379)</u>

The Company has not identified particular key performance indicators due to its nature being an intermediate Holding company.

The Group has been heavily impacted by the onset of COVID-19, and temporarily closed around 62% of its centres around the Group. All centres are now open again, albeit with reduced occupancy, and the directors have focussed attention on cash and profit preservation, and through use of various governments' support mechanisms made available both to businesses in general and the childcare sector specifically, have achieved a level of financial stability during lockdown. These measures are also being applied as the recovery continues and the directors are confident that liquidity and profitability will be well controlled as the group returns to normal operations.

Section 172 Companies Act 2006

The Wates Principles provide a framework for the Group to not only demonstrate how the Board operate good governance (see pages 7 to 17 for the Group's Corporate governance statement) but also have regard to how the Board ensures the Group (including the Company) complies with the Regulations' other governance reporting regimes, including the Board's application of their section 172 duty to promote the success of the Group (including the Company), as set out in the Companies Act 2006, along with wider stakeholder and employee engagement.

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In discharging the section 172 duty, the members of the Board, the Board Committees and Group Management (to which the Board delegates authority for executive management of the Group) have had regard to the factors set out in section 172. Collectively and separately they consider the Group's Vision, Mission and Core Values together with its strategic priorities, and have a process in place for decision-making that is aimed at ensuring decisions are consistent and predictable.

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Strategic report (continued)

Section 172 Companies Act 2006 (continued)

Explanations and examples of how the section 172 factors have been considered are set out below:

1. The likely consequences of any decisions in the long-term

The Board's decision making is focussed, in the long-term, on the Group's Mission and Vision, with the Group strategy underpinned by the Group's Core Values.

The impact of COVID-19

At the onset of the COVID-19 pandemic the Board took some immediate actions to ensure the Group could respond effectively to the challenges faced. As a result, the Board met more frequently between March and July 2020 at the height of the crisis, challenging and supporting the Group's executive management in their response to COVID-19 as the consequences of those decisions on the long term viability and vision of the Group were considered.

Key decision making made by the Board included:

- Making a decision to temporarily close around 62% of its centres around the Group.
- Taking necessary cash preservation measures including proactively renegotiating rental agreements with landlords; reducing certain operating costs such as travel and marketing; reducing salaries for senior management; deferring bonus payments; and limiting capital expenditure to business-critical or health and safety related operations and contractual obligations only.
- The decision to utilise various governments' support mechanisms made available both to businesses in general and the childcare sector specifically. In making the decision to utilise the various government support mechanisms the Board considered:
 - the short term cashflow and profit impact, enabling the Group at the time, to limit the need for further cost saving measures;
 - the impact of the support mechanisms made available to the Group on the Group's employees; and
 - the impact on the Group's longer term viability.
- As the Group emerged from the initial impact period of COVID-19 the Group used its short to medium term forecasts to assess the Group's resources and costs and ensure these remained appropriate. The Board took the difficult decision to commence a restructuring of some UK National Support Centre and Centre Administration roles and roles within the North American business. This led to a number of these roles being made redundant.
- Review and approval of the Group's temporary amendment and deferral of some of its lending covenants and decision to extend the Group's RCF maturity.

The Board temporarily reduced requirements for Board reporting where appropriate enabling management to focus on supporting operations.

Annual approval of the Group Operating Plan

Each year the Board considers the Operating Plan for the Group which, whilst focussing on the aims and objectives for the Group for the next 12 months, also considers longer term risks and opportunities, and strategy.

The Operating Plan is presented and discussed at two separate Board meetings every year, at the November Board meeting to debate key issues, and further at the January Board meeting to provide final sign-off. The Board also engages directly with Group Management on the preparation of the Operating Plan to discuss and further understand the detail behind some of the assumptions set out in the plan. The presentation will include a detailed financial forecast for each territory and detail on the assumptions that underpin these forecasts, including a consideration of the impact on the Group's key stakeholders. Market and strategic commentary for each territory is also provided to ensure the objectives for the year consider the Group's overall Vision and Mission.

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Strategic report (continued)

Section 172 Companies Act 2006 (continued)

Annual approval of the Group Operating Plan (continued)

The preparation, consideration and discussion around the Operating Plan focusses on balancing different Group Stakeholder needs and priorities. The Group's Vision, to give every child the best start in life, requires a balancing of priorities and objectives in the plan every year, with the desire to maintain margins and grow the business (in the interest of our investors and the long-term sustainability of the Group) competing with strategies around investment in our centres, strengthening staff capability and developing our curriculum and tools. The Board recognises that the outcome of any Board review and approval of the Operating Plan may not result in full alignment with all stakeholder views and their priorities for the year ahead.

The 2021 Operating Plan review (during 2020) involved a lengthy debate about whether all risks and opportunities has been appropriately identified in arriving at a challenging operating plan for the Group. This included the Group's expectations at the time in relation to occupancy levels and the Group's ability to return to and build upon pre COVID-19 occupancy levels. The assumptions regarding ongoing impact of COVID-19 on the Group's operations were debated, this included how the Group can continue to remain resilient and adaptable to the challenges presented by COVID-19 whilst balancing the Group's ability to deliver on two of the Group's core values of care and quality.

Environmental, Social and Governance

Following the Board effectiveness evaluation, it was identified that the Group should further develop its strategy in relation to environmental, social, governance, ("ESG") and corporate responsibility. A Board sponsor has been established to be responsible for this action and develop the Group's strategy in this area further. An ESG impact assessment has been commissioned by the Board with the findings and recommendations to be presented to the Board in 2021. The Board will consider how the recommendations can be embedded into the Group's longer term strategy.

In addition, in the UK a Safeguarding Committee has been established, with Board representation with the aim to review and ensure safeguarding matters are considered and actioned appropriately.

Investing in new acquisitions

During 2020, the focus of the Board's attention was on cash and profit preservation. Naturally, the setback due to COVID-19 impacted the Group's ability to continue pursuing its strategy of expansion.

At the start of 2020, the Board concluded four new acquisition opportunities across the Group's territories previously approved in 2019. The temporary amendment and deferral of some of the Group's lending covenants, restricted the Group to funding acquisitions from shareholder equity. The Group's shareholders were supportive throughout this period but acquisitions were limited as the Group's focus was on supporting the Group's operations through the initial impact of COVID-19. Growth activities resumed in the latter part of 2020, with the Board discussing, pursuing and approving further growth opportunities across the Group, including one further acquisition. The Board receives regular updates from Group Management and maintains oversight of the investment opportunities presented, progress on active acquisitions and post-acquisition performance (when compared with opportunity business case) and integration into the wider Group. The Board will be appraised of whether any new territory satisfies the pre agreed criteria, with any deviations considered carefully in light of impact on relevant stakeholders and the long-term strategy of the Group. The pre-agreed criteria looks to balance the aim of growing the Group, for the benefit of investors, and the risks that come with entry into new territories, in particular factors that might limit Group Management's ability to manage those risks, such as cultural and regulatory differences with the established business of the Group.

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Strategic report (continued)

Section 172 Companies Act 2006 (continued)

2. Other section 172 considerations

The table below cross references to the relevant area of the Corporate Governance Statement or the Strategic Report for compliance with other section 172 consideration by the Board.

Section 172 (1) Considerations	Where to find more information	Page(s)
The interests of the Group's employees.	Stakeholder Engagement – Workforce Remuneration	14 16-17
The need to foster the Group's business relationships with suppliers, customers and others.	Stakeholder Engagement – Investors, Parents, Suppliers, Lenders, Sector Stakeholders – government and other regulatory bodies	13-16
The impact of the Group's operations on the community and environment.	Stakeholder Engagement – Community and environment	16
The desirability of the Group maintaining a reputation for high standards of business conduct.	The Board – Purpose, vision and leadership Opportunities and Risk	7 11-12
The need to act fairly as between members of the Group.	The Board – Purpose, vision and leadership Stakeholder Engagement The consequences of decisions in the long term	7 13-16 2-3

The Corporate Governance Statement on pages 7 to 16 (Stakeholder Engagement) contains a statement summarising how the Board has engaged with the employees of the Group during the financial year and a statement summarising how the Board has engaged with other key stakeholders, including investors, customers, suppliers and lenders during the financial year.

Principal risks and uncertainties

The company considers its key risks to be around the value of its investments and therefore whether any impairment is required.

COVID-19 or any future pandemic risk

The ongoing impact of COVID-19 on the Group has continued to be seen to a greater or lesser extent across each territory. This includes the temporary closure of some centres, the need for both children attending centres and their educators to isolate for a specified period and for reduced occupancy levels.

From a health and safety perspective, the Group continues to follow guidelines in place within each territory to manage this risk for centres and the head office facilities.

The Group has been able to mitigate associated financial risks through the continued careful management of its cost base. The management of costs has continued to be aided by government support for staff costs and some operating costs, in various territories. There is a reputational and financial risk to the Group making incorrect claims and/or for non-compliance with the terms attached to government support. In response to this risk the Group have put in place robust review structures. Internal reviews have been conducted across the Group as well as an independent third-party review in the UK.

The directors believe that while the impact of any future pandemic would also be significant, the Group is well placed to manage this risk and can respond with sufficient speed to manage the cash flows of the business in a way which provides sufficient headroom under the current facilities to continue to operate.

Credit risk

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

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Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity risk

The directors have a policy of maintaining sufficient cash balances that exceed the cash required for working capital purposes to safeguard against liquidity and recessionary risks. As a result of this policy and careful working capital management, the directors are able to ensure the Group has excess liquidity and is well placed to pay its suppliers as they fall due. The directors monitor this policy through a review of periodic cash flow forecasts to ensure any future cash commitments can be comfortably met using the Group's forecast cash and undrawn RCF reserves.

Currency risk

The Company has minimal currency risk.

Market risk

Aside from the key risks facing most businesses, for example those of reputation and competition and market change, the Group 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 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.
- 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. 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 Brexit on the economy. We do not believe there is any short-term direct material risk to either our customer base, our workforce or our supply chain.

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.

On 19 March 2021, the group completed a refinancing exercise where the existing TLB loans of £566.7m and €50.0m were replaced with new TLB loans of £365.9m and €257.1m. As part of this refinancing, the existing RCF facility of £75m was also replaced with a new facility of £100m. The new TLB loans have a tenure of seven years and the RCF facility expires in six and a half years. The group also used £25m of cash to repay part of the old loan balances. The new TLB facility is 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. In this scenario, a leverage covenant of Group indebtedness to EBITDA of 9.85 times would apply.

During the year the group drew down £64.7m of the £75m RCF facility. This was a precautionary measure to ensure the group had sufficient liquidity for the period the majority of the Group's centres were required to close (due to COVID-19). Through a combination of tight control over working capital and capex, a faster than planned return of occupancy once the centres re-opened and government support provided in most of the territories the group operates in, the group was able to generate sufficient cash in the year to repay all of the RCF drawn earlier in the year.

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Strategic report (continued)

Going concern (continued)

Whilst the Group was heavily impacted by COVID-19 during the first lockdowns of 2020, temporarily closing around 62% of its centres, subsequent lockdowns have had less impact on the Group as early years centres have generally been kept open during these restrictions. Where centres have been required to close to non-key workers, the definition of key workers has generally been expanded so occupancy has remained at higher levels than the initial lockdown. Occupancy in January 2021 was 55.3% of capacity despite some centres being closed to non-key workers in Ireland and Scotland during this period and the temporary closures in other locations due to instances of COVID-19 in a specific room or centre, (for comparison, occupancy in April 2020 was 18.5%).

The Group has prepared detailed forecasts for the period up to September 2022 which demonstrate that the Group is able to generate sufficient cash flows to operate within its new financing arrangements.

The Group cannot predict the indirect impact of any potential economic downturn, coupled with the ongoing impact of COVID-19. This includes the risk of temporary closure of centres, or the need for both children attending centres and their educators to isolate for a specified period. A temporary or prolonged reduction in occupancy as a result of these items will impact the Group's cashflows. In order 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 20% below the current forecast. The current forecast is based on the Group's 2021 operating plan and thereafter the Group's longer term forecasts, both of which reflect the Group's expectations of occupancy following COVID-19 as well as excluding the impact of Government support and excluding any forecast future acquisitions. With occupancy falling to 20% below the current forecast, the Group would have liquidity headroom, inclusive of the new £100m RCF facility, in excess of £84m and not trigger the leverage test covenant applicable if more than £40m of the RCF is drawn. The forecast demonstrated that the Group is able to operate within its new financing arrangements. The Group has also conducted an analysis of any ongoing potential risks surrounding Brexit and does not believe there is any direct material risk to either our customer base, our workforce, or our supply chain.

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 and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue 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 G P Davies
Director
29 September 2021

St Matthews
Shaftesbury Drive
Burntwood
Staffordshire
WS7 9QP
United Kingdom

Busy Bees Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. Details of the directors' assessment of future developments, going concern and financial risks are set out in the Strategic Report

Proposed dividend

The directors do not recommend payment of a final dividend (2019: £nil). No dividend has been paid since the year end.

Post balance sheet events

On 19 March 2021, the group completed a refinancing exercise where the existing TLB loans of £566.7m and €50.0m were replaced with new TLB loans of £365.9m and €257.1m. As part of this refinancing, the existing RCF facility of £75m was also replaced with a new facility of £100m. The new TLB loans have a tenure of seven years to March 2028 and the RCF facility expires in six and a half years to September 2027. The group also used £25m of cash to repay part of the old loan balances. The new TLB facility is a 'cov-lite' facility meaning there are no leverage tests on the Group's financing other than on the RCF facility if more than 40% of it is drawn.

Directors

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

S A Irons
M J Randles
M G P Davies

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year 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.

Governance Framework

The Group endeavours to follow high standards of corporate governance, with the board of Eagle Topco Limited (Board), the Company's parent company, determining the governance framework for the whole of the Group, including for the Company. The Board has considered the Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations) for the year beginning on 1 January 2020, including the requirement to state which corporate code it has applied.

Noting the above, the corporate governance statement in this section is extracted from the financial statements for Eagle Topco Limited, with the governance framework adopted by the Board applying to the whole Group, including the Company.

For the year ended 31 December 2020, under the Regulations, the Group has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website) (the Wates Principles).

The Wates Principles provide a framework for the Group to not only demonstrate how the Board makes decisions for the long term success of the Group and its stakeholders (see Stakeholder Engagement, on page 13), but also have regard to how the Board ensures the Group complies with the requirements of Section 172 of the Companies Act 2016. Our reporting against the Wates Principles has been included on pages 4 to 12.

The Board – Purpose, vision and leadership

The Board determines the long-term strategy, direction and performance of the Group. The Group's Vision is to give every child the best start in life and the Board is responsible for ensuring that the Group's strategy and culture is aligned with this.

The Group's Mission is to "deliver high quality childcare and exciting opportunities for learning that give every child a head start as they prepare for school", supported by its Values of "Care, Service, Quality and Value".

The Group's Vision, Mission and Values were established, under the Board's direction, to underpin the Group's strategy, decisions and culture. These are codified in the Group's Code of Conduct, and form the basis of all other Group policies, all of which are distributed to staff annually as part of their training programmes and are included as part of any new staff induction process.

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Directors' report (continued)

Governance Framework (continued)

The Group's Code of Conduct makes clear that the Group is expected to operate to the highest standards in everything it does, setting out expectations for staff and requiring them to always operate fairly and ethically in all areas of the business to maintain the Group's reputation and status. This policy, and all other Group policies, is supported by the Speak Up policy, which sets out the action staff are expected to take if they have a concern about something they see or hear that is in breach of the Group's policies. This policy is further supported by the Group's Speak Up line, which allows staff to raise concerns through a dedicated helpline.

The Group's strategy was first shared with the UK National Support Centre staff in a staff meeting in the first quarter of 2019, this was followed by wider communication across the Group during 2019. During 2020, the Group continued to communicate its strategy and messages. In the absence of face to face meetings communication has continued through the Group's management structure and via frequent company wide communications.

There are currently seven members on the Board. The Board comprises an independent Chairman, one executive director (the Group Chief Executive Officer), three investor nominated board members (who are non-executive directors), and two other non-executive directors, one of whom is independent. A biography for the executive members of the Board can be found on our website <https://www.busybeeschildcare.co.uk/management-team>.

The size and structure of the Board is framed by the investment agreement in place between the Group's investors (Investment Agreement), with Ontario Teachers' Pension Plan (OTPP), which holds a controlling interest in the Group, entitled to appoint such number of non-executive directors as it chooses, as well as the Chairman and an independent non-executive director. Esta Investments Pte Ltd (Temasek), OTPP's co-investor in the Group, is entitled to appoint one non-executive director to the Board.

The Chairman sets both the annual agenda and the agenda for each Board meeting and encourages an open and constructive debate at Board level. The Group Chief Executive Officer is responsible for the implementation and delivery of the strategy agreed by the Board.

The Board maintains a Board composition summary, which reviews and considers the skills and experience the various Board members bring to decision making. Diversity of background, experience and skillset at Board level is important to the Group and the need to achieve balance of views and influence is key (and considered by reference to the composition summary) when appointing new members to the Board.

The non-executive directors bring judgement on key issues affecting the Group and its business operations, including strategy, performance, resources (including key appointments) and standards of conduct. They also bring experience in branding, marketing, M&A, international growth, talent management and headline risk and government policy, in addition to perspectives and challenge from outside the sectors in which the Group operates.

The Board has one independent non-executive director in place on the Board and the Chairman, both of which are independent of the Group's executive management and free from any business or other relationships that could materially interfere with the exercise of their judgement.

The size and composition of the Board is considered to be appropriate with all members contributing to a wide variety of experience.

The Investment Agreement also entitles OTPP and Temasek to invite observers to Board meetings, which they did regularly during the financial year, to provide a further combination of skills and judgement.

Each member of the Board is required to make the Board aware of any significant commitments outside the Group. They are also required to notify the Chairman if they become aware of actual or potential conflict situations, or situations which might impact the time they are able to devote to their directorship role for the Group. No such conflicts were identified in the period.

Both the non-executive directors and the Board observers meet regularly with the Group's management team to ensure they understand the needs of the business. These meetings, where possible and safe, include visits to the Group's centres, both in the UK and the other territories and allows the Board to be made aware of a wide range of topics impacting the business. There is an induction programme for all new members of the Board, which is tailored to their specific experience and knowledge and which provides access to all parts of the business. On commencement of her tenure on the Board Jane Holbrook completed an induction programme meeting with key members of the Board and management team as well as visiting the UK NSC and one of the Group's Centres.

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Directors' report (continued)

Governance Framework (continued)

The Chairman, with support of the Board, conducts an annual informal evaluation of the effectiveness of the Board, looking at the leadership of the Chairman (in setting the agenda and directing discussions), the composition and skillset of the Board as a whole as well as specific matters such as review of risk, management accountability, financial performance and talent management. The Board considers these assessments important in the identification of key areas for future improvements, focus and for strengthening its overall performance, with assessments shaping the annual agenda for Board meetings in the following year. A Board effectiveness evaluation was completed during the financial year, and a number of actions identified. The most notable of which was for the Board to further develop its strategy in relation to environmental, social and corporate responsibility. A Board sponsor has been established to be responsible for this action and develop the Group's strategy in this area further.

Director responsibilities

The Board is responsible for creating the framework within which the Group operates and is collectively responsible to the Company's investors for the direction, promotion and oversight of the Company to ensure its long-term success. It provides leadership for the Group, setting controls and standards. Other core activities include monitoring performance and approval of material business development (including through acquisition) and commitments. The Investment Agreement dictates matters which are subject to OTPP nominated director or investor (OTPP) consent and sets out the terms of reference for Board committees. Matters which must also receive the consent of the OTPP investor director and/or OTPP include:

- Structure and capital
- Approval of dividends
- Acquisitions
- Financial and accounting controls
- Material projects and contracts
- Group business plan

The Board delegates authority for the running of the Group's business to the Group management team (Group Management), led by the Group Chief Executive Officer. A biography for each member of Group Management can be found on the Group's website at <https://www.busybeeschildcare.co.uk/management-team>.

The Board also delegates some of its functions to Board committees: The Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee members include the Chairman, and two investor appointed members, who are also non-executive directors of the Board. There is a further non-executive director of the Board who is independent and also chair of the Audit Committee. The current members of the Audit Committee are:

- Robert Walker (Chairman)
- Jane Holbrook (Chair of the Audit Committee, Independent Non-executive director – appointed on 1 March 2020)
- Jean-Charles Douin (Non-executive director)
- Abhijeet Gupta (Non-executive director)

The terms of reference for the committee are as follows:

- To monitor the integrity of the financial statements of the Group, reviewing significant financial reporting judgements contained in them.
- To review the Group's internal financial controls and the Group's internal control and risk management systems.
- To establish and monitor and review the effectiveness of the Group's internal audit function.
- To make recommendations to the Board in relation to the appointment of the Group's external auditor and to approve the remuneration and terms of engagement of that external auditor.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

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Directors' report (continued)

Governance Framework (continued)

- To develop and implement policy on the engagement of the Group's external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by that external audit firm.
- To report to the Board on the above, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- To require the attendance before it of any officer or employee of a Group member and to obtain (at the cost of the Group) legal or other professional advice in respect of any matters within its terms of reference.

The Audit Committee also reviews and manages risk generally across the Group, and is the Board committee with primary responsibility for review and approval of the Group's risk management strategy and processes, including the management of cyber risk. The Audit Committee reviews and approves the Group's risk register and the financial and governance controls (detailed in Opportunities and Risk on page 11) and including risks associated.

Remuneration Committee

The Remuneration Committee members include the Chairman (who also acts as Chair for this committee), the Independent Non-executive director and two investor appointed members, who are also non-executive directors of the Board. The current members of the Remuneration Committee are:

- Robert Walker (Chairman)
- Jean-Charles Douin (Non-executive director)
- Rob Williams (Non-executive director)
- Jane Holbrook (Independent Non-executive director – appointed on 1 March 2020)

The terms of reference for the committee are as follows:

- To determine and action on behalf of the Group all matters concerning:
 - the salary and other remuneration and benefits (including bonus, share incentive and pension arrangements) and terms and conditions of employment of the Group's senior employees (including Group Management), including, without limitation, salary reviews and the setting of bonus levels and performance targets);
 - the appointment or dismissal (and terms of appointment or dismissal) of a senior employee (including a member of Group Management);
 - any employee share-based remuneration schemes.
- To amend or take actions under any agreement in place between a member of the Group and a senior employee (including Group Management).

The Board has an annual calendar of meetings, with the timetable set in the preceding year to ensure that at least six meetings are held, as required by the Investment Agreement. An outline agenda is set at the start of the year, with standing agenda items including:

- The Group Chief Executive Officer's report on strategic and business developments, together with relevant updates from each of the Group's territories;
- The Group Chief Financial Officer's report which includes commentary on financial performance against the Operating Plan for the year; and
- The Group Business Development Director's review of business development opportunities for the Group.

On a cyclical basis, the Board agenda will also include detailed assessments of Group strategy, business plans, governance, deep dives into Group territories and, where applicable, reports from the Board committees. Board meeting papers (including the meeting agenda) are circulated in good time prior to Board meetings to allow the Board members time to review in advance. Board meeting papers include a board update, providing a summary financial and operational update for the Group. In addition to Board meeting papers the Board receives regular and timely information (at least monthly) on all key aspects of the business including safeguarding matters, health and safety, people, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions, all supported by Key Performance Indicators (KPIs). Key financial information is collated from the Group's accounting systems. The Group's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes, and financial controls are reviewed by the Group's internal audit function which is operated by one individual seeking external specialist support as required.

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Directors' report (continued)

Governance Framework (continued)

Other key information is prepared by the relevant internal Group function. Processes for collecting data, as well as the reporting of that data, is reviewed on a cyclical basis by the Group's internal audit function with reporting provided to the Audit Committee.

During 2020 the Board:

- Approved the annual reports and accounts for 2019.
- Approved the Operating Plan for 2021.
- With the assistance of the Audit Committee, reviewed and approved the Group's risk register, prepared by Group Management, taking account of level of risk and steps implemented to mitigate impact.
- Was briefed regularly as to whether any environmental, safety or governance issues had arisen, along with the action taken and the related risk mitigation steps. Commenced ESG strategy review programme and designated a sponsoring Board member.
- Received regular detailed reports on the operational impact of COVID-19, including safety measures taken to protect employees, children and visitors to the Group's centres.
- Received regular and detailed reports on the Group's operating and financial performance in each territory, with Group Management given the opportunity to present to the Board.
- Approved an extension to the maturity of the Group's RCF and a temporary amendment and deferral of some of the Group's lending covenants.

Financial risk management objectives and policies

Financial risk management objectives and policies are disclosed within the strategic report on pages 4 to 5.

Opportunities and Risk

Long term strategic opportunities are reviewed by the Board as part of the Group's annual Operating Plan review, presented to the Board before the start of every year. This review will consider key drivers for growth of the Group and improvement in adjusted EBITDA, including growth through development of new sites and acquisition, integration of acquired businesses, centre fees, occupancy and child to staff ratios in each territory, and investment in and management of people. The review also identifies key future opportunities, including: leveraging of new digital systems and tools to improve occupancy, impact of new funding regimes in territories to improve occupancy and income, and M&A activity.

The annual review for the Group (Group Annual Review), presented to and approved by the Board at the end of every year, assesses the success of the Group in pursuing its strategic objectives and highlights new key objectives for the coming year. This review considers the strategic highlights for the year, as well as highlighting any lessons learned for each territory in the Group.

The Group recognises that risk management is an essential activity for the Group, supporting the achievement of its strategic objectives. The Board and Group Management look to identify, assess and manage the key areas of risk on a proactive basis, embedding risk management into the culture of the Group without introducing unnecessary bureaucracy. The aim for the risk management framework is that it is fit for purpose and uses the Group's skills and capabilities to the full.

For effective risk management the Board ensures that there is a robust and formalised process across the Group. The policies that underpin this process support the Group, across all the territories, to manage risk. The Board gives ownership of the identification and management of risk to Group Management, with risks highlighted to and considered by the Audit Committee on behalf of the Board (including mitigation actions). A consideration of the principal risks and uncertainties for the Group is set out in more detail on pages 4 to 5.

The Group uses Group financial controls and governance questionnaires and confirmations. The financial controls questionnaire and confirmation (FCC) requires each territory in the Group, on a quarterly basis, to confirm compliance with the Group's financial policies and to disclose any areas of concern that the Group should be aware of, highlighting areas that require further discussion. The FCC is designed to document the territory level confirmations required by the Board and to enable the territories to highlight areas of risk. The governance and compliance confirmation (GCC) requires each territory in the Group, on a bi-annual basis, to confirm compliance with the Group's policies and to disclose any areas of concern that the Group and Board should be aware of, highlighting areas that require further discussion or investigation.

Busy Bees Holdings Limited

Directors' report (continued)

Governance Framework (continued)

The compliance section includes a series of statements relating to compliance with applicable laws and regulations, Anti-Bribery and Corruption, GDPR, Modern Slavery, fraud, Code of Conduct, financial policies and procedures, litigation and audit and non-audit related work.

Group Management maintain a Group risk register, with risks scored based on likely impact on the Group, and have a process in place to identify emerging risks and consider the action required to manage the risk to an acceptable level. The register is presented, considered, including management actions required and approved by both the Audit Committee and the Board.

The Group has internal policies, training and procedures in place to ensure compliance with the Group's Code of Conduct and its other global policies, including Anti-Bribery and Corruption, Modern Slavery and the Reporting of Serious Incidents. All staff have access to these policies, with appropriate mandatory training in place (in many cases via e-learning) to ensure compliance with best practice. The Reporting of Serious Incidents policy highlights to the Group the need to report serious incidents to the Board (including those with a potential reputational impact on the Group), with risk mitigation actions to be explained as part of the reporting process.

The Group operates a Speak Up policy and supporting internal helpline to allow staff (and other key stakeholders) to confidentially raise any concerns about conduct. The Speak Up policy is distributed to all staff, who receive appropriate training on the key elements of the policy.

Streamlined Energy & Carbon Reporting ("SECR")

This is the first year that the Group has been required to make disclosures relating to its UK energy and carbon use under the government policy SECR, as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Group is required to disclose information on energy consumption, emissions, intensity metrics and energy efficiency improvements implemented in the last financial year.

The Group's operations are committed to year-on-year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available has been compiled for the UK operations, with a view to implementing these measures over the next 5 years. During 2020, the following measures were taken:

- An ESG impact assessment has been commissioned to investigate the Group's environmental impact.
- We have reviewed the fleet with a revised policy seeking to reduce emissions and fuel usage with a preference for hybrid/electric cars.

The following figures make up the baseline reporting for the Group's UK operations. The Group's UK operations have an intensity metric of 0.476 tCO₂e per UK full time equivalents (FTE) children. This intensity metric has been selected since, FTE children, being the occupancy of the UK centres is a key driver of the UK operational activities and consequently energy and carbon consumption.

The total consumption (kWh) and total emission (tCO₂e) figures for energy supplies are as follows:

<i>Utility and Scope</i>	<i>2020 UK Consumption (kWh)</i>	<i>2020 UK Consumption (tCO₂e)</i>
Grid-Supplied Electricity (Scope 2)	10,461,605	2,439.02
Gaseous and other fuels (Scope 1)	20,296,379	3,745.41
Transportation (Scope 1 and 3)	876,662	207.66
Total	31,634,646	6,392.09

Busy Bees Holdings Limited

Directors' report (continued)

Streamlined Energy & Carbon Reporting ("SECR") (continued)

- Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet.
- Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.
- Scope 3 consumption and emissions relate to other indirect emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel.

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2020 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and kgCO₂e relevant for reporting year 1 January 2020 to 31 December 2020:

- Database 2020, Version 1.0

Estimations undertaken to cover missing billing periods for properties directly invoiced to Busy Bees Holdings were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 1% of reported consumption.

The intensity metric has been calculated utilising the 2020 reportable figures of UK FTE children of 13,428. Total emissions of tCO₂e and both individual sources were then divided by this figure to determine the tCO₂e per metric.

Stakeholder Engagement

The Board promotes accountability and transparency with all external stakeholders and with representatives of government and other opinion leaders, whilst maintaining an open and visible presence in the media.

The Board understands that good governance and effective communication are essential on a day-to-day basis to deliver the Group's Vision and to protect the Group's brand, reputation and relationships with all stakeholders including investors, customers, employees, suppliers, lenders and the wider community.

The Group is made of a small number of territories, with governance of the business across the territories and the Group as a whole, including engagement with stakeholders, delegated to a large extent to Group Management, led by the Group Chief Executive Officer. This delegation is subject to a documented delegation of authority matrix, with defined authorities and levels, which are subject to regular review and monitoring by the Board and the Board Committees. Group Management carefully consider the impact of any decision making, in respect of their territory or the wider Group, and the consequences for affected stakeholders. This is, in large part and where possible, achieved by discussing the decisions with relevant stakeholders and balancing the different and sometimes conflicting positions.

Group Management report regularly to the Board on key decisions taken to enable the Board to review and monitor the effectiveness of their decision-making, in particular that sufficient balanced consideration is given to stakeholders. The Board is also kept informed of stakeholder views through the information prepared for and shared regularly with the Board, detailed in Board Information on page 10.

Details of how our key stakeholders and how we engage with them are detailed below.

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 for certain key decisions (see page 9), 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.

Busy Bees Holdings Limited

Directors' report (continued)

Stakeholder Engagement (continued)

Parents and children

The Group is focussed on communication with our parents about their children, their development and the wider business. This is supported by regular communication 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.

At the onset of the COVID-19 pandemic, the Group adapted its operations in response to Government restrictions, with a focus on continuing to support parents and children wherever possible. The Group continued to operate from over 100 centres in UK throughout the initial phase of national lockdowns, keeping these centres open to support essential workers. The Group has kept 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.

At the start of the customer journey, in the UK we have developed a customised CRM system 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.

As a result of COVID-19, we have introduced a robust SafeVisit process to allow families in urgent need of childcare to visit our centres safely.

We have expanded the use of iConnect/Parent Zone to all UK centres; this facility supports parent partnership with centres and educators. The Group also 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 facebook pages are used to promote parent community.

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 detailed on pages 2 to 3.

Workforce

The Group values open communication with its workforce and aims to consult on matters that effect workforce engagement. In 2019, the Board identified the need to formalise feedback on engagement of the workforce in the Group (to ensure decision making could demonstrably take account of the views of the workforce), with the Group HR function agreeing the scope of a workforce engagement survey with the Board. This was planned for roll out in 2020 but was unfortunately postponed due to the onset of COVID-19, the revised intention is for this to be completed during 2021 with the results presented to the Board with clear suggestions for actions to improve engagement, including actions and goals so this can be measured. The aim of the engagement survey is to build on this discussion and consultation with the workforce to not only identify potential Group areas of opportunity but to also identify local trends.

During 2020 the Group continued its ongoing communication with employees, and for those employees placed on furlough and returning from furlough welfare consultations were performed.

The Group, with Board support and direction, has commenced a wider HR Strategy encompassing a diversity and inclusion strategy and succession planning strategy.

Whilst formal mechanisms to monitor and measure workforce engagement are still in progress, the Group's focus on creating an environment of continuous listening is demonstrated by its workplace feedback processes. These include workforce exit surveys and general feedback received from managers. This feedback resulted in the Group investing, in the UK, in a new HR system which launched in early 2021.

Busy Bees Holdings Limited

Directors' report (continued)

Stakeholder Engagement (continued)

The Group is open and transparent with the workforce about any business concerns and areas of success. During 2020, as a result of the onset of COVID-19 and as a result of centralisation of administration tasks across the Group, the Board took the difficult decision to commence a restructuring of some UK National Support Centre and Centre Administration roles. This led to a number of these roles being made redundant. In making this decision the Board were required to balance the requirement to provide financial stability and management of costs to the Group with the impact of that decision making on the interests of employees involved as well as the remaining workforce and other stakeholders.

In addition to monthly data being available on dashboards, members of Group Management hold an annual update meeting for UK National Support Centre staff to attend where performance and department specific initiatives are presented, unfortunately due to COVID-19 this was unable to be held during 2020. During 2020 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 staff an opportunity to ask questions about the business, its strategy, and objectives, with the outcome disseminated through the business through the management structure.

During 2020, the Group also consolidated and refined its internal communications for all employees and Centre Directors to a weekly communication summarising key business messages which were also communicated to those employees furloughed for a period.

UK annual events are extended further 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. The Group's remuneration strategy is considered below on page 10.

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.

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 are 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.

Busy Bees Holdings Limited

Directors' report (continued)

Stakeholder Engagement (continued)

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. 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.

Community and 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. The Group entered into a two-year partnership with Child Bereavement UK in 2018. The charity supports families and educates professionals when a baby or child of any age passes away, or when a child is facing bereavement, a cause close to our hearts as a Group. Centres are encouraged and supported to partner with local community causes, and local fund raising (often for families using our centres).

The Group has an initiative in its UK centres to safeguard the children, staff, parents and visitors in its care, by installing automated external defibrillators, boosting survival chances for anyone having an out-of-hospital cardiac arrest. The launch was supported by first aid trainers from the Group's training business completing a nationwide roadshow, teaching lifesaving skills to staff and parents and raising awareness of CPR.

The impact of the business on the environment is considered with initiatives to consider our carbon and energy usage in our centres, the aim of which is to improve efficiency. This is the first year the Group has made disclosures regarding our UK energy use and carbon emissions, please refer to page 12 for more detail.

Key community initiatives are reported to the Board as part of the regular reporting structures in place.

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 monthly 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 amend lending covenants and provided additional communication and a presentation to the lending syndicate, demonstrating the Group's response to COVID-19, the steps it had taken to protect the financial stability of the Group and an update on the Group's financial position. The amendment and deferral of covenants has helped to support the Group's ability to operate effectively during the COVID-19 pandemic.

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.

Remuneration

The Group's remuneration structure for senior employees is set by the Remuneration Committee – see the composition of the committee and terms of reference at pages 10 to 11. The Remuneration Committee's primary objective is to set remuneration at a level that will enhance the Group's resources by securing and retaining quality senior employees who can deliver the Group's strategic ambitions in a manner consistent with both its Vision and Mission and the interests of its investors.

Busy Bees Holdings Limited

Directors' report (continued)

Remuneration (continued)

The Remuneration Committee approved the long-term incentive plan (LTIP) for senior employees of the Group, including Group management, during 2019. The overriding objective of the LTIP is to incentivise the management team and to align their goals and rewards to those of the existing shareholders. The intention was to achieve this by linking their reward to the growth in value of the overall business. The LTIP includes a shadow equity bonus plan scheme, through Equity Participation Units (EPUs). The EPU is a bonus paid out to management on an exit by the investors, the aim being to incentivise participants on both the growth in equity value of the Group and local contribution to this growth.

Whilst in 2020, the Group was exempt from reporting its Gender Pay Reporting, this was completed in 2019 and will be completed in 2021. The Group has continued to be an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

We continue to review and improve our internal salary scales to ensure fairness applies to any individual appointed into a role, this also includes a robust Pay Review and Approval Policy applicable to all levels within the organisation and accessible by all staff members. Starting salaries will be offered in line with Group pay scales, which are reviewed annually. Any salaries that are to be offered above the starting points must go through an approval process as detailed within the policy.

Each job level has an entry rate of salary and a maximum salary. No member of staff will be paid below the entry rate of salary for their job level, and no salary should progress above the maximum for each job level – unless the correct authorisation is granted as set out in the approval process.

The Group will detail in annual budgets, the percentage increases that can be awarded to the wider workforce each year. Managers cannot award pay increases which would breach the approved pay remit.

Staff who are eligible to receive a bonus will have their bonus criteria set out to them in writing at the start of the relevant period, which will usually be at the start of the year or their contract if they start part way through. The Group commits to fair bonus objectives that are deemed to be achievable, with a goal to reward good performance that contributes to the overall financial success of the business. The following key roles are eligible to receive performance bonuses:

- Centre Directors – based on the KPIs of their centre including financial performance and quality
- Area Directors – based on their area KPIs including financial performance and quality
- Operations Directors – based on their division KPIs including financial performance and quality
- Senior department heads – based on Group financial performance and their specific personal objectives
- Group Management – based on territory and Group financial performance and their specific personal objectives.

Objectives and bonuses for Group Management are determined and agreed by the Remuneration Committee in line with the wider strategic objectives for the Group. The Board also receives regular and comprehensive briefings on wider workforce remuneration structures and changes.

Research and development

The Group have continued to develop our application “Unleashing Potential” (UP) an innovative and exciting teaching and learning programme designed by Busy Bees for Busy Bees, using the best trialled and tested learning experiences carried out in our centres over the last 35 years. It has been designed to give inspiration for Early Years Educators and Parents to guide, encourage and direct every child to develop a life-long love of learning and to develop skills and attributes to ensure the best start in life.

Busy Bees Holdings Limited

Directors' report (continued)

Political contributions

During the year, there were no political donations (2019: £nil).

Employees

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 2020 and 2019 and there were no employee consultations.

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 under s487(2) of the Companies Act 2006.

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



M G P Davies
Director
29 September 2021

St Matthews
Shaftesbury Drive
Burntwood
Staffordshire
WS7 9QP
United Kingdom

Busy Bees Holdings 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 judgements 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 Holdings Limited

Opinion

Report on the audit of the financial statements

In our opinion the financial statements of Busy Bees Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 notes to the financial statements 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "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 Holdings 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 about their own identification and assessment of the risks of irregularities.

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, and 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.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT 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 Holdings 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:

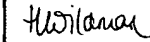
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law 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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Helen Wildman, ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

29 September 2021

Busy Bees Holdings Limited

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £ '000	2019 £ '000
Turnover	3	55	76
Cost of sales		(1,683)	(2,819)
Gross loss		(1,628)	(2,743)
Administrative expenses		(1,141)	(4,120)
Income received from group undertakings	4	19,293	-
Operating profit/(loss)	4	16,524	(6,863)
Interest receivable and similar income	7	310	339
Interest payable and similar expenses	8	(2,389)	(2,000)
Profit/(loss) before taxation		14,445	(8,524)
Tax charge on profit/(loss) before taxation	9	(64)	(28)
Profit/(loss) for the financial year		14,381	(8,552)

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.

The notes on pages 26 to 40 form part of these financial statements.

Busy Bees Holdings Limited**Balance sheet****As at 31 December 2020**

	Note	2020 £ '000	2019 * Restated £ '000
Fixed assets			
Tangible assets	10	3,013	3,087
Investments	11	450,546	433,542
		<u>453,559</u>	<u>436,629</u>
Current assets			
Debtors	12	8,092	6,027
Cash at bank and in hand		673	13,474
		<u>8,765</u>	<u>19,501</u>
Creditors: amounts falling due within one year	13	<u>(381,402)</u>	<u>(392,247)</u>
Net current liabilities		<u>(372,637)</u>	<u>(372,746)</u>
Total assets less current liabilities		80,922	63,883
Creditors: amounts falling due after one year	14	(5,105)	(2,487)
Provisions for liabilities	15	<u>(317)</u>	<u>(277)</u>
Net assets		<u>75,500</u>	<u>61,119</u>
Capital and reserves			
Called-up share capital	16	2,247	2,247
Profit and loss account		69,645	55,264
Capital redemption reserve		3,608	3,608
Total shareholder's funds		<u>75,500</u>	<u>61,119</u>

* See note 11 for detail on the restatement of prior period balance.

These financial statements of Busy Bees Holdings Limited (registered number 06903391) were approved by the board of directors and authorised for issue on 29 September 2021. They were signed on its behalf by:



M G P Davies
Director

The notes on pages 26 to 40 form part of these financial statements.

Busy Bees Holdings Limited**Statement of changes in equity
For the year ended 31 December 2020**

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	2,247	3,608	63,816	69,671
Loss and total comprehensive expense for the financial year	-	-	(8,552)	(8,552)
At 31 December 2019	2,247	3,608	55,264	61,119
Profit and total comprehensive income for the financial year	-	-	14,381	14,381
At 31 December 2020	2,247	3,608	69,645	75,500

The notes on pages 26 to 40 form part of these financial statements.

Busy Bees Holdings Limited

Notes to the financial statements For the year ended 31 December 2020

1. Accounting Policies

Busy Bees Holdings 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 6.

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.

Group accounts

The Company's results are included in the consolidated accounts of Eagle Superco Limited and Eagle Midco Limited, companies registered in United Kingdom. Accordingly, the Company has taken advantage of the exemption given in s400 of the Companies Act 2006 from preparing and delivering group accounts. The financial statements therefore contain information about the Company as an individual undertaking and not about its group.

Functional currency

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

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.

On 19 March 2021, the group completed a refinancing exercise where the existing TLB loans of £566.7m and €50.0m were replaced with new TLB loans of £365.9m and €257.1m. As part of this refinancing, the existing RCF facility of £75m was also replaced with a new facility of £100m. The new TLB loans have a tenure of seven years and the RCF facility expires in six and a half years. The group also used £25m of cash to repay part of the old loan balances. The new TLB facility is 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. In this scenario, a leverage covenant of Group indebtedness to EBITDA of 9.85 times would apply.

During the year the group drew down £64.7m of the £75m RCF facility. This was a precautionary measure to ensure the group had sufficient liquidity for the period the majority of the Group's centres were required to close (due to COVID-19). Through a combination of tight control over working capital and capex, a faster than planned return of occupancy once the centres re-opened and government support provided in most of the territories the group operates in, the group was able to generate sufficient cash in the year to repay all of the RCF drawn earlier in the year.

Whilst the Group was heavily impacted by COVID-19 during the first lockdowns of 2020, temporarily closing around 62% of its centres, subsequent lockdowns have had less impact on the Group as early years centres have generally been kept open during these restrictions. Where centres have been required to close to non-key workers, the definition of key workers has generally been expanded so occupancy has remained at higher levels than the initial lockdown. Occupancy in January 2021 was 55.3% of capacity despite some centres being closed to non-key workers in Ireland and Scotland during this period and the temporary closures in other locations due to instances of COVID-19 in a specific room or centre, (for comparison, occupancy in April 2020 was 18.5%).

The Group has prepared detailed forecasts for the period up to September 2022 which demonstrate that the Group is able to generate sufficient cash flows to operate within its new financing arrangements.

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

Going concern (continued)

The Group cannot predict the indirect impact of any potential economic downturn, coupled with the ongoing impact of COVID-19. This includes the risk of temporary closure of centres, or the need for both children attending centres and their educators to isolate for a specified period. A temporary or prolonged reduction in occupancy as a result of these items will impact the Group's cashflows. In order 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 20% below the current forecast. The current forecast is based on the Group's 2021 operating plan and thereafter the Group's longer term forecasts, both of which reflect the Group's expectations of occupancy following COVID-19 as well as excluding the impact of Government support and excluding any forecast future acquisitions. With occupancy falling to 20% below the current forecast, the Group would have liquidity headroom, inclusive of the new £100m RCF facility, in excess of £84m and not trigger the leverage test covenant applicable if more than £40m of the RCF is drawn. The forecast demonstrated that the Group is able to operate within its new financing arrangements. The Group has also conducted an analysis of any ongoing potential risks surrounding Brexit and does not believe there is any direct material risk to either our customer base, our workforce, or our supply chain.

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 and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue 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 Group 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 Group 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.

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

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

1. Accounting policies (continued)

Financial instruments (continued)

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 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).
- (d) 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.
- (e) 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.
- (f) 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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, 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.

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.

Busy Bees Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

Impairment of assets (continued)

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.

Investments

In the company's financial statements, investments comprise of investment in shares and debts of subsidiary undertaking. Investment in shares are stated at cost less provision for any impairment losses and investment in debt instruments are stated at amortised cost.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Operating loss

Operating loss is defined as the loss for the period after all operating costs and income but before interest receivable and similar income, interest payable and similar charges and taxation. Operating loss is disclosed as a separate line on the face of the Profit and Loss Account.

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 publicly 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 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.

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.

Busy Bees Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

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.

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.

2. Accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, 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. The estimates and associated assumptions 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 are not considered to be any key accounting estimates.

The key estimate is around the valuation and impairment of investments. The indicators of impairment, such as loss making entities, reduction in asset values or changes in economic environment, are assessed on an annual basis and an impairment review would be performed if necessary to review the value of investments. During 2020, there were no impairments of investments identified (2019: £2,401,000) see note 11 for full details.

There are no critical accounting judgements in either the current or prior years.

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Turnover

Turnover represents the value of sales, excluding value added tax and is attributable to the company's principal activity of providing management services for the group and arises wholly within the United Kingdom.

4. Operating profit/(loss)

	2020 £ '000	2019 £ '000
Operating profit/(loss) is stated after charging:		
Depreciation on owned tangible fixed assets	76	83
Hire of other assets – operating leases	-	-
Hire of land & buildings – operating leases	74	116
Income received from group undertakings	19,293	-

Income received from group undertakings of £19,293,000 (2019: £nil) relates to dividends received during the year from subsidiary undertakings.

Included within admin expenses during the year is an impairment of investments of £nil (2019: £2,401,000).

The fees payable to the company's auditor for the audit of the company's annual financial statements of £9,000 (2019: £9,000) and fees payable to the company's auditor and their associates for other services to the company of £nil (2019: £nil) were borne by another group company.

The Company 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 £5,000. No Government assistance of this nature were received during 2019.

5. Staff numbers and costs

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

	Number of employees	
	2020	2019
Administrative and management	8	7

The aggregate payroll costs of these persons were as follows:

	2020 £ '000	2019 £ '000
Wages and salaries	1,347	2,398
Social security costs	185	275
Pension costs	39	51
	1,571	2,724

Busy Bees Holdings Limited

Notes to the financial statements (continued) **For the year ended 31 December 2020**

6. Directors' remuneration

	2020 £ '000	2019 £ '000
Directors' emoluments	1,006	1,144
Company contributions to money purchase schemes	28	37
	<u>1,034</u>	<u>1,181</u>

Retirement benefits are accruing to the following number of directors in office at the year end under money purchase schemes.

	2020 Number	2019 Number
Number of directors	<u>3</u>	<u>3</u>

The emoluments of the highest paid director were £405,000 (2019: £460,000) and company contributions of £12,000 (2019: £15,000) were made to a money purchase pension scheme on behalf of the director.

7. Interest receivable and similar income

	2020 £ '000	2019 £ '000
Bank interest receivable	48	122
Interest due from group undertakings	258	217
Other interest receivable	4	-
	<u>310</u>	<u>339</u>

8. Interest payable and similar expenses

	2020 £ '000	2019 £ '000
Preference share coupon	2,240	2,000
Interest due to group undertakings	131	-
Loan note interest payable	18	-
	<u>2,389</u>	<u>2,000</u>

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

9. Tax charge on profit/(loss) before taxation

	2020 £ '000	2019 £ '000
Current tax		
Current tax on profit/(loss) for the year	-	-
Foreign tax suffered	24	22
Adjustments in respect of prior periods	-	-
Total current tax	24	22
Deferred tax		
Origination and reversal of timing differences	8	6
Effect of change in rate of corporation tax	32	-
Total deferred tax (see note 15)	40	6
Tax charge	64	28

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

	2020 £ '000	2019 £ '000
Profit/(loss) before tax	14,445	(8,524)
Tax on profit/(loss) at standard UK corporation tax rate of 19.00% (2019: 19.00%)	2,745	(1,620)
Effect of:		
- Expenses not deductible for tax purposes	619	873
- Tax rate changes	33	-
- Adjustments in respect of prior periods	-	-
- Effect of overseas tax rates	21	22
- Deferred tax not provided	-	2
- Non taxable income	(3,666)	-
- Group relief surrendered for nil consideration	312	751
Total tax charge for the year	64	28

Factors that may affect future tax charges

The standard rate of tax applied to the reported loss on ordinary activities is 19.00% (2019: 19.00%).

Reductions in the UK tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) was substantively enacted in September 2016. The reduction to 17% was removed and in the budget post year end, the Government 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 not substantively enacted at 31 December 2020 these have not been reflected in the valuation of deferred tax assets and liabilities at the balance sheet date.

The deferred tax balances at 31 December 2020 and 31 December 2019 have been calculated based on the rates that were substantively enacted at the balance sheet dates that will apply when the timing differences are expected to reverse. Accordingly, a rate of 19% has been used as at 31 December 2020 and 17% as at 31 December 2019.

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

9. Tax charge on profit/(loss) before taxation (continued)

Factors that may affect future tax charges (continued)

At 31 December 2020 the company has unrecognised trading losses of £0.1m (2019: £nil) available to offset against certain future profits.

10. 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 2020	1,928	1,149	623	3,700
Additions	-	-	2	2
Write off fully written down assets	-	-	(544)	(544)
At 31 December 2020	1,928	1,149	81	3,158
Accumulated depreciation				
At 1 January 2020	40	20	553	613
Charge for the year	20	10	46	76
Write off fully written down assets	-	-	(544)	(544)
At 31 December 2020	60	30	55	145
Net book value				
At 31 December 2020	1,868	1,119	26	3,013
At 31 December 2019	1,888	1,129	70	3,087

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

11. Investments

	Shares in group companies £ '000	Loan to group companies £ '000	Amounts owed by group companies * Restated £ '000	Total * Restated £ '000
Cost				
At 1 January 2020 (as reported)	427,630	2,401		430,031
Reclassification to investments			52,390	52,390
At 1 January 2021 (restated)	427,630	2,401	52,390	482,421
Additions	5,673	-		5,673
Intercompany transfer	41,148	-	(29,817)	11,331
	<u>474,451</u>	<u>2,401</u>	<u>22,573</u>	<u>499,425</u>
Accumulated impairment charges				
At 1 January 2020	46,478	2,401	-	48,879
Impairment during the year	-	-	-	-
	<u>46,478</u>	<u>2,401</u>	<u>-</u>	<u>48,879</u>
Net book value				
At 31 December 2020	<u>427,973</u>	<u>-</u>	<u>22,573</u>	<u>450,546</u>
At 31 December 2019	<u>381,152</u>	<u>-</u>	<u>52,390</u>	<u>433,542</u>

The additions to investments during the year related to the acquisitions of the companies below denoted +. A full listing of subsidiary companies is provided below. Unless otherwise indicated, the below subsidiaries are held directly.

There is no repayment date attached to the amount owed by group undertakings and these amounts are expected to be recovered after 12 months from balance sheet date.. There was no interest charged on the amounts owed by group undertakings (2019: nil).

*Restatement of prior period balance

In the prior period, amounts owed by group undertakings were classified as debtors falling due within one year as there was no repayment date attached to these amounts. However, these amounts are not expected to be settled by repayment within 12 months of the balance sheet date and this was also the case at the 31 December 2019 balance sheet date, therefore as of 31 December 2019 these amounts have been classified as Investments, within Fixed Assets. The above restatement of prior period balances has resulted in net current liabilities increasing by £52,390k as at 31 December 2019 with no impact on net assets or on the profit and loss account.

Name	Country of registration	Nature of business	Proportion of issued ordinary share capital held by holding company %
Busy Bees Education & Training Limited	England & Wales	Childcare training	100
Busy Bees Nurseries Limited	England & Wales	Childcare services	100
Busy Bees Day Nurseries (Trading) Limited	England & Wales	Childcare services	100
Busy Bees Day Nurseries Limited	England & Wales	Dormant	100
Q Day Nurseries Limited	England & Wales	Dormant	100
Early Years Childcare Limited	England & Wales	Dormant	100

Busy Bees Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Investments (continued)

Name	Country of registration	Nature of business	Proportion of issued ordinary share capital held by holding company
			%
Learning Just Limited	England & Wales	Dormant	100
Just Learning Malling Limited*	England & Wales	Dormant	100
Just Learning Limited	England & Wales	Dormant	100
Careshare Holdings Limited*	England & Wales	Dormant	100
Nu Nu Limited	England & Wales	Dormant	100
Busy Bees Nurseries (Scotland) Limited	Scotland	Childcare services	100
Lauder Learning Limited*	Scotland	Childcare services	50
Rosevale Holdings Limited	England & Wales	Dormant	100
Major Minors Limited*	England & Wales	Dormant	100
Caring Daycare Limited*	England & Wales	Dormant	100
Paintkey Limited	England & Wales	Dormant	100
Lilliput Childcare Services Limited*	England & Wales	Dormant	100
Lilliput (Brompton) Limited*	England & Wales	Dormant	100
Kinder Nurseries Limited*	England & Wales	Dormant	100
Early Years Childcare (South East) Limited	England & Wales	Dormant	100
Kids First Day Nurseries Limited	England & Wales	Childcare services	100
Bush Babies Children's Nurseries (Holding) Limited	England & Wales	Dormant	100
Bush Babies Children's Nurseries Limited *	England & Wales	Dormant	100
Positive Steps Children's Nurseries Limited	England & Wales	Dormant	100
Gatford Limited	Scotland	Dormant	100
Oak Tree Nursery Investments Limited	England & Wales	Dormant	100
Cashew Holdings Limited*	England & Wales	Dormant	100
Forest Nursery Investments Limited*	England & Wales	Dormant	100
Treetops Nurseries Limited*	England & Wales	Dormant	100
HCL Acquisitions Limited*	England & Wales	Dormant	100
HCL Finance Limited*	England & Wales	Dormant	100
Happy Child Limited*	England & Wales	Dormant	100
Happy Child (Mottingham) Limited*	England & Wales	Dormant	100
Playtime Nursery Limited*	England & Wales	Dormant	100
The Green Umbrella Day Nursery Limited*	England & Wales	Dormant	100
CR Childcare Limited*	England & Wales	Dormant	100
Kindercare (Harrogate) Limited*	England & Wales	Dormant	100
Queen of Hearts Nursery School Limited*	England & Wales	Dormant	100
Treetops Nurseries (London) Limited*	England & Wales	Dormant	100
Treetops Gloucestershire Limited*	England & Wales	Dormant	100
Toybox Day Nurseries Limited*	England & Wales	Dormant	100
Treetops Belper Limited*	England & Wales	Dormant	100
Treetops Clipstone Limited*	England & Wales	Dormant	100
Treetops Cheam Limited*	England & Wales	Dormant	100
Treetops Epsom Limited*	England & Wales	Dormant	100
Treetops Teddington Limited*	England & Wales	Dormant	100
Treetops Sutton Limited*	England & Wales	Dormant	100
The Edinburgh Nursery Limited	Scotland	Dormant	100
Claremont Childcare Limited	Scotland	Dormant	100
Toybox Great Denham Limited	England & Wales	Dormant	100
Toybox Properties Limited*	England & Wales	Dormant	100
Eagle Leasing Limited	England & Wales	Leasing Company	100

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

11. Investments (continued)

Name	Country of registration	Nature of business	Proportion of issued ordinary share capital held by holding company
			%
Mace Montessori Schools Limited	England & Wales	Dormant	100
Green Gables Primary School Limited*	England & Wales	Dormant	100
Green Gables Montessori School Limited*	England & Wales	Dormant	100
Daisy and Jake Day Nursery Limited	England & Wales	Dormant	100
Eden Homes (Wirral) Limited*	England & Wales	Dormant	100
Droitwich Spa Nursery and Kindergarten Limited	England & Wales	Dormant	100
Kids Multiverse Limited	England & Wales	Dormant	100
Little Learners Pre-School (UK) Limited*	England & Wales	Dormant	100
Les Enfants Nursery (Scotland) Limited	Scotland	Childcare services	100
Countryside Day Nurseries Ltd.	England & Wales	Childcare services	100
Great Little Childcare Company Limited	England & Wales	Childcare services	100
Organic Kids Limited	Jersey	Childcare services	100
Organic Kids (Castle Quay) Limited	Jersey	Childcare services	100
Razain Enterprises Ltd	England & Wales	Childcare services	100
I Can Day Nurseries Limited	England & Wales	Childcare services	100
Squiggles Childcare Limited+	England & Wales	Childcare services	100
Brunton Nursery Limited+	England & Wales	Childcare services	100

*Indicates the subsidiary is held indirectly

+Indicates company acquired during the year

The registered office of all entities in England and Wales is St Matthews, Shaftsbury Drive, Burntwood, Staffordshire, WS7 9QP, United Kingdom.

The registered office of all Scottish entities is 1 Lochside Place, Edinburgh, EH12 9DF, United Kingdom.

The registered office of all Jersey entities is First Floor, Tower House, La Route Es Nouaux, St Helier, Jersey, JE2 4ZJ.

The registered office of Lauder Learning Limited is Carnegie College, Halbeath, Dunfermline, KY11 8DY, United Kingdom.

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

12. Debtors

	2020	Restated*
	£ '000	£ '000
Amounts falling due within one year (as reported):		
Trade debtors	433	16
Amount owed by group undertakings	-	52,390
Prepayments and accrued income	752	350
Other debtors	171	724
Corporation tax	4,600	2,395
	<u>5,956</u>	<u>55,875</u>
As reported	5,956	55,875
Reclassified to investment	-	(52,390)
	<u>5,956</u>	<u>3,485</u>
Amounts falling due within one year (restated)		
Amounts falling due after one year		
Other debtors	2,136	2,542
	<u>8,092</u>	<u>6,027</u>

* See note 11 for detail on the restatement of the prior period balance.

13. Creditors: amounts falling due within one year

	2020	2019
	£ '000	£ '000
Trade creditors	317	193
Amounts owed to group undertakings	359,317	371,590
Other taxes and social security	13	65
Other creditors	3	6
Accruals and deferred income	14,242	12,883
Preference shares	7,510	7,510
	<u>381,402</u>	<u>392,247</u>

There is no repayment date attached to the amount owed to group undertakings. There was no interest charged on the amounts owed to group undertakings (2019: nil)

Other creditors include deferred consideration of £nil (2019: £nil) in relation to acquisitions.

The preference shares issued to group undertakings have an interest rate of 12% and are repayable on demand. The accrued interest arising from preference shares is presented in accruals and deferred income.

14. Creditors: amounts falling due after more than one year

	2020	2019
	£ '000	£ '000
Loan notes	2,618	-
Other creditors	2,487	2,487
	<u>5,105</u>	<u>2,487</u>

On 11 December 2020 loan notes of £2,600,000 were issued by Eagle Bidco Limited to Busy Bees Holdings Limited, as part of the acquisition of Brunton Nursery Limited. The loan notes have an interest rate of 12.5% and are repayable in 2027.

Busy Bees Holdings Limited

Notes to the financial statements (continued) **For the year ended 31 December 2020**

14. Creditors: amounts falling due after more than one year (continued)

Other creditors of £2,487,000 represents an amount owed to the employee benefit trust as part of the Long Term Incentive Plan (LTIP) for senior employees of the group, including group management, during 2020. The group has a corresponding other debtor for the amount owed by employees of £2,685,000 which will be paid over 10 years and currently is shown as £2,136,000. The LTIP includes a shadow equity bonus plan scheme, through Equity Participation Units (EPUs). The EPU is a bonus paid out to management on an exit by the investors, the aim being to incentivise participants on both the growth in equity value of the group and local contribution to this growth.

15. Provisions for liabilities

	Deferred taxation £ '000	
At 1 January 2020		277
Charge to the profit and loss account for the year (note 9)		40
		<u>317</u>
At 31 December 2020		<u>317</u>
The deferred tax liability recognised at 19% (2019: 17%) is as follows:		
	2020 £ '000	2019 £ '000
Difference between accumulated depreciation and capital allowances	318	277
Short term timing differences	(1)	-
	<u>317</u>	<u>277</u>
Difference between accumulated depreciation and capital allowances		

16. Called-up share capital

	2020 £'000	2019 £'000
Called up, allotted and fully paid		
2,246,700 ordinary shares of £1 each	<u>2,247</u>	<u>2,247</u>

The Capital redemption reserve relates to prior purchase of the company's own shares.

17. Commitments

- (a) The company had no capital commitments at 31 December 2020 (2019: £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 2020 are £611.0m (2019: £609.0m). See note 21 for post balance sheet event in respect of group borrowings.
- (c) Total future minimum lease payments under non-cancellable operating leases for land & buildings are as follows:

	2020 £ '000	2019 £ '000
Minimum lease payments due:		
- within one year	137	137
- between one and five years	378	515
	<u>515</u>	<u>652</u>

Busy Bees Holdings Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

18. 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 £39,000 (2019: £51,000).

19. Related party transactions

The company has taken the exemption available under FRS102 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.

20. Controlling parties

The company's immediate parent undertaking is Eagle Target 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. Eagle Target Limited, Eagle Superco Limited and Eagle Midco Limited are all incorporated in the 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.

21. Post balance sheet events

On 19 March 2021, the group completed a refinancing exercise where the existing TLB loans of £566.7m and €50.0m were replaced with new TLB loans of £365.9m and €257.1m. As part of this refinancing, the existing RCF facility of £75m was also replaced with a new facility of £100m. The new TLB loans have a tenure of seven years to March 2028 and the RCF facility expires in six and a half years to September 2027. The group also used £25m of cash to repay part of the old loan balances. The new TLB facility is a 'cov-lite' facility meaning there are no leverage tests on the Group's financing other than on the RCF facility if more than 40% of it is drawn.