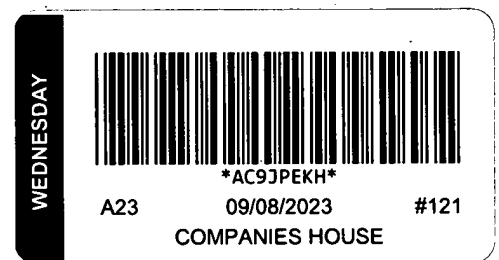


Company Registration No. 10836436

Eagle Target 5 Limited

Annual report and financial statements

For the year ended 31 December 2022



Eagle Target 5 Limited

Report and financial statements 2022

Contents	Page
Strategic report	1
Directors' report	6
Directors' responsibility statement	7
Independent auditor's report	8
Profit and loss account	11
Statement of changes in equity	11
Balance sheet	12
Notes to the financial statements	13

Eagle Target 5 Limited

Strategic report

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

Activities

The company's principal activity is that of an intermediate holding company. The Company is a wholly owned subsidiary of Eagle Superco Limited. Eagle Superco Limited and its subsidiaries, including this Company are collectively referred as the Busy Bees Group of companies ('the Group'). The principal activity of the Group is the provision of day care nursery services.

Business review and future developments

The profit for the year was Canadian Dollars (C\$4,265,000 (2021: C\$4,339,000)). Shareholder's funds were C\$182,897,000 as at 31 December 2022 (2021: C\$178,632,000). The small decrease in profit was due to a lower amount of interest received and a small increase in costs in the year. It is expected that the company will continue to act as an intermediate holding company for the foreseeable future. The company has not identified particular key performance indicators due to its nature being an intermediate holding company. The value of the company's investments and consequently its ability to settle its liabilities are linked to the performance of the Group. The Group has taken advantage of section 400 of the Companies Act 2006 not to prepare consolidated accounts for this company.

Results for the year

The Group has demonstrated resilience and the operational and financial performance of the business has been strong during 2022. Average occupancy across the Group's centres for 2022, (being average places occupied over average places available, both measured in FTE children), was 65.7% (2021: 60.9%), improving from the prior year to be c. 3.5% behind 2019 pre-COVID average occupancy (2021: 9% behind pre-COVID average occupancy). This, alongside additional borrowing facilities have provided a solid platform for the Group to continue its growth and internationally focussed expansion strategy whilst continuing to deliver high quality childcare.

Financing

The Group has a Senior Facilities Agreement ("SFA") in place with GBP and Euro Term Loan B ("TLB") loans of £365.9m and €637.1m respectively. Of the Euro TLB loan, a further €105.0m was raised in December 2022, the proceeds of which were used to settle the Group's previously drawn RCF of £82.5m, which had been utilised to support some of the Group's 2022 acquisitions. The TLB loans have a term to March 2028 and incur interest at SONIA + a margin and EURIBOR + a margin, dependent on the Group's leverage ratio as reported by the Group to lenders on a quarterly basis. For the majority of the year ended 31 December 2022, the Group was incurring interest at SONIA + 4.75% on the GBP loan and EURIBOR + 3.75% on the Euro loan; On 30 June 2023, the Group is incurring interest at SONIA + 4.5% on the GBP loan and EURIBOR +3.5% on the Euro loan.

Future outlook

The Busy Bees Group now represents 920 centres, employs around 23,000 colleagues and cares for c.95,000 children and continues to be well placed to further rebuild and grow occupancy to exceed pre-COVID-19 levels and continue the Group's strategy of further expansion.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company, under section 172. For details of the Group governance code please see the Eagle Midco Limited accounts. The Board always aims to act in the best interests of the Company, and to be fair and balanced in its approach. The needs of different stakeholders are always considered as well as the consequences of any decision in the long-term and the importance of our internally published high standards of business conduct. More specific information is given in sub-paragraphs (a) to (f), which correspond to the individual factors disclosed under Section 172(1). The Section 172 disclosures for the Group are included in the account of Eagle Midco Limited and Eagle Superco Limited.

a. Long-term decision making

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

Eagle Target 5 Limited

Strategic report (continued)

Section 172(1) Statement (continued)

b. Stakeholders: Employees

The Company has no employees, other than the directors.

c. Stakeholders: Customers, Suppliers, Others

As a holding company, the Company does not trade.

d. Stakeholders: Community & Environment

As a holding company, the Company does not undertake community and environmental engagement.

e. Reputation for high standards of business conduct

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

f. Acting fairly as between members of the Company

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

Statement on Employee Engagement

The Company has no employees, other than the directors.

Statement on Business Relationships

As a holding company, the Company does not trade.

Principal risks and uncertainties

The Company considers its key risks to be in relation to the value of its investments and therefore whether any impairment is required.

Credit risk

The Company's principal assets are investments in subsidiary companies. The Company also has receivables that primarily relate to other group companies. Any impairment arising on these is recognised based on comparisons to the recoverable amount and solvency/liquidity of these undertakings.

Liquidity risk

The Company's funding requirements are under constant review. All funding is carried out through Eagle Midco Limited or other UK group related companies either on a short term loan basis or through the cash pooling arrangement.

Currency risk

The functional currency is Canadian Dollars as that is the currency of the economic environment in which the Company operates. The risk and rewards of the Company operating are based in Canada. The Canadian Dollar may strengthen or weaken against other currency and hence there is a currency risk.

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

Eagle Target 5 Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

People risk

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

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

In response to these pressures, which were seen to a greater and lesser extent across all of the Group's territories, additional Board reporting has been introduced to allow the Board to monitor the operational and financial impact more closely and take appropriate action as needed. The Group has developed Education and Training capability in the UK and Asia, and is actively seeking to enhance that capability in North America and Australia and New Zealand. This not only allows the Group to offer high quality training to employees, but also to bring through a pipeline of apprentices to meet demand for childcare professionals.

The Group has a number of employee engagement channels which are utilised to monitor sentiment and adjust strategies, and has made an investment in employee remuneration and employee benefits, particularly for centre employees. In addition, the Group has recently appointed a Chief People Officer and is developing a recruitment steering committee with a remit to continue to evaluate the Group's recruitment and retention strategies.

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

Eagle Target 5 Limited

Strategic report (continued)

Going concern

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

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

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

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

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

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

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

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

The ongoing impact of COVID-19 includes the risk of temporary closure of centres, or parts of centres. All of the territories in which the Group operates have eased or fully removed COVID-19 restrictions and as a result the ongoing impact of COVID-19 on operations has reduced. No specific modelling of the impact of COVID-19 has been performed in relation to going concern, the potential impact of any localised centre or parts of centre closures is expected to be minimal in relation to cashflows and liquidity.

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

Eagle Target 5 Limited

Strategic report (continued)

Going concern (continued)

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, being not less than 12 months from date of approval of these financial statements.

Accordingly, the directors of the Group continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company is financed through, but is not reliant upon, an inter-company facility with Busy Bees Holdings Limited, and there is an unlimited cross guarantee between the Company and other group companies in respect of bank borrowings.

As at 31 December 2022 the company has net current liabilities of C\$ 12,810,000 (2021: C\$ 12,458,000). The company is reliant on the support of its parent company, Eagle Superco Limited, to be able to meet its liabilities as they fall due. However, the directors consider that the company is an integral part of Eagle Superco Limited structure and strategy, which is evidenced by a letter of comfort from Eagle Superco Limited, which states its commitment to provide necessary financial support to ensure that the company is a going concern for at least twelve months from the date of approval of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and financial statements.

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



M P Muller
Director
30 June 2023

St Matthews
Shaftsbury Drive
Burntwood
Staffordshire
WS7 9QP
United Kingdom

Eagle Target 5 Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. Details of the directors' assessment of future developments, going concern, engagement with stakeholders including employees, suppliers, customers and others and financial risks are set out in the strategic report.

Proposed dividend

The directors do not recommend payment of a final dividend (2021: £nil). No dividend has been paid since the year end.

Post balance sheet events

There are no post balance sheet events.

Directors

The directors who served during the year and up to the date of this report were as follows:

M G P Davies

M P Muller

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.

Auditor

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

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

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

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

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



M P Muller

Director

30 June 2023

St Matthews
Shaftsbury Drive
Burntwood
Staffordshire
WS7 9QP
United Kingdom

Eagle Target 5 Limited

Directors' responsibility 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; and
- 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 Eagle Target 5 Limited

Opinion

Report on the audit of the financial statements

In our opinion the financial statements of Eagle Target 5 Limited (the 'company'):

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

We have audited the financial statements, which comprise:

- the profit and loss account;
- the statement of changes in equity; and
- the balance sheet;
- the notes to the financial statements 1 to 11.

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 Eagle Target 5 Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Independent auditor's report to the members of Eagle Target 5 Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

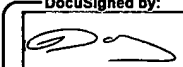
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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Joseph Darby, ACA

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

30 June 2023

Eagle Target 5 Limited

Profit and loss account For the year ended 31 December 2022

	Note	2022 C\$'000	2021 C\$'000
Administration costs		(9)	-
Operating loss		(9)	-
Interest receivable and similar income	5	5,213	5,781
Profit before taxation		5,204	5,781
Tax on profit	6	(939)	(1,442)
Profit for the financial year		4,265	4,339

All amounts relate to continuing activities. There are no items of other comprehensive income in the year other than those reflected in the profit and loss account. Accordingly, no separate statement of other comprehensive income is presented.

Statement of changes in equity For the year ended 31 December 2022

	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 31 December 2020	1,594	157,807	14,892	174,293
Profit and total comprehensive income for the financial year	-	-	4,339	4,339
At 31 December 2021	1,594	157,807	19,231	178,632
Profit and total comprehensive income for the financial year	-	-	4,265	4,265
At 31 December 2022	1,594	157,807	23,496	182,897

The notes on pages 13 to 19 form part of these financial statements.

Eagle Target 5 Limited**Balance sheet****As at 31 December 2022**

	Note	2022 C\$'000	2021 C\$'000
Fixed assets			
Investments	7	195,707	191,090
		<u>195,707</u>	<u>191,090</u>
Creditors: amounts falling due within one year	8	(12,810)	(12,458)
Net current liabilities		<u>(12,810)</u>	<u>(12,458)</u>
Total assets less current liabilities		<u>182,897</u>	<u>178,632</u>
Capital and reserves			
Called-up share capital	9	1,594	1,594
Share premium account		157,807	157,807
Profit and loss account		<u>23,496</u>	<u>19,231</u>
Total equity shareholders' funds		<u>182,897</u>	<u>178,632</u>

These financial statements of Eagle Target 5 Limited, (registered number 10836436) were approved by the Board of Directors on 30 June 2023 and were signed on its behalf by:



M P Muller
Director

The notes on pages 13 to 19 form part of these financial statements.

Eagle Target 5 Limited

Notes to the financial statements For the year ended 31 December 2022

1. Basis of preparation

Eagle Target 5 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 address is shown on page 5.

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

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

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

Group financial statements

The Company’s results are included in the consolidated financial statements of Eagle Superco Limited, a company 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 financial statements. The financial statements therefore contain information about the Company as an individual undertaking and not about its group.

Functional currency

The functional currency is Canadian Dollars (C\$) as that is the currency of the economic environment in which the Company operates. The risk and rewards of the Company operating are based in Canada.

2. Accounting policies

Going concern

In preparation of the financial statements, the directors have made an assessment of the Group’s and the Company’s ability to continue as a going concern. The company’s business activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out above. The company is dependent on the ability of other Group companies to settle their obligations to the Company on a timely basis.

The group has existing TLB loans of £365.9m and €637.1m under Senior Facilities Agreement (“SFA”). In addition, the Group has a £100.0m RCF facility. The TLB loans expire in March 2028, the RCF facility expires in September 2027. The TLB loans are a ‘cov-lite’ facility meaning there are no leverage covenant tests on the Group’s financing other than on the RCF facility if more than 40% of it is drawn being in excess of £40m drawn. In this scenario, a leverage covenant of Group indebtedness to EBITDA of 9.85 times would apply. During the year, the group drew down on its RCF facility to fund acquisitions completed during the year. The maximum amount drawn at any one time was £82.5m. The amount drawn at 31 December 2022 was £18.0m; an amount of £15.0m is held for bank guarantees leaving available undrawn RCF facility of £67.0m at 31 December 2022. In the year to 31 December 2022 the Group made a loss after tax of £28.4m.

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

Eagle Target 5 Limited

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

2. Accounting policies (continued)

Going Concern (continued)

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

The Group cannot predict the indirect impact of any potential economic downturn. Having reviewed the Group's principal risks, the most significant impact on the Group's cashflows would be a combination of the Group's principal risks materialising in a temporary or prolonged reduction in occupancy and consequently cashflows. The current forecast is based on the Group's 2023 operating plan and thereafter the Group's longer-term forecasts. To assess any potential impact on the Group's cashflows and liquidity, various sensitivities have been performed reflecting a reduction in occupancy rates, including occupancy falling up to 10% below the current forecast. This reduction in occupancy is considered a reasonable reduction to sensitise the Group's cashflows to as it is based on the Group's previous experience of occupancy trends following the impact of global economic slowdowns. The Group has also sensitised the Group's cashflows to the specific principal risk of further cost increases, from higher than expected employee costs, other supply costs and interest costs over and above those already included within the current forecast. Under the combination of these sensitivities, and with occupancy falling to 10% below the current forecast, and costs increasing by 4% above the current forecast, the Group would have a minimum liquidity headroom, inclusive of the available undrawn RCF facility, of £24.1m in the forecast period and would remain in compliance with the leverage test covenant.

The ongoing impact of COVID-19 includes the risk of temporary closure of centres, or parts of centres. All of the territories in which the Group operates have eased or fully removed COVID-19 restrictions and as a result the ongoing impact of COVID-19 on operations has reduced. No specific modelling of the impact of COVID-19 has been performed in relation to going concern, the potential impact of any localised centre or parts of centre closures is expected to be minimal in relation to cashflows and liquidity.

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

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

Accordingly, the directors of the Group continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company is financed through, but is not reliant upon, an inter-company facility with Busy Bees Holdings Limited, and there is an unlimited cross guarantee between the Company and other group companies in respect of bank borrowings.

As at 31 December 2022 the company has net current liabilities of C\$ 12,810,000 (2021: C\$ 12,458,000). The company is reliant on the support of its parent company, Eagle Superco Limited, to be able to meet its liabilities as they fall due. However, the directors consider that the company is an integral part of Eagle Superco Limited structure and strategy, which is evidenced by a letter of comfort from Eagle Superco Limited, which states its commitment to provide necessary financial support to ensure that the company is a going concern for at least twelve months from the date of approval of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and financial statements.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment losses.

Eagle Target 5 Limited

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

2. Accounting policies (continued)

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 statement of financial position 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.

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.

Eagle Target 5 Limited

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

2. Accounting policies (continued)

Impairment of assets

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

Non-financial assets

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

Financial assets

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

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

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

Related party transactions

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

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.

Interest receivable

Interest receivable is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

3. Accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from the sources. 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 were no critical judgements or key sources of estimation uncertainty that the directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Eagle Target 5 Limited

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

4. Staff number and costs

The directors, who are the only employees of the Company, neither received nor waived any remuneration in the period from this entity. 1 director (2021: 3 directors) was remunerated in the current year by a fellow group company, Busy Bees Holdings Limited. 1 director (2021: 1 director) was remunerated in the current year by a fellow group company, Busy Bees Nurseries Limited.

It is not considered practical or possible to accurately apportion these costs to each entity in the Group. Given the relative size of the respective entities, the effect of not apportioning these costs for disclosure purposes is not considered to be material.

Audit fees of C\$9,635 (2021: C\$8,600) were borne by the Company's fellow subsidiary without any right of reimbursement. There were no non-audit fees paid to the auditors of the Company.

5. Interest receivable and similar income

	2022 C\$'000	2021 C\$'000
Interest due from group undertakings	5,213	5,781

6. Tax on profit

	2022 C\$'000	2021 C\$'000
Current tax (see note below)		
Current tax on profit for the year	939	2,569
Adjustment in respect of previous periods	-	(1,127)
Total current tax charge	939	1,442

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

	2022 C\$'000	2021 C\$'000
Profit before tax	5,204	5,781
Tax on profit at standard UK corporation tax rate of 19.00% (2021: 19.00%)	989	1,099
Effect of:		
- Expenses not deductible	-	(1)
- Adjustment in respect of previous periods	-	(1,127)
- Effects of overseas tax rates	-	1,516
- Foreign exchange on corporation tax balance	(50)	(45)
Total tax charge for the year	939	1,442

The standard rate of tax applied to the reported profit on ordinary activities is 19.00%. In Autumn 2022 the Government confirmed, a previously announced, an increase in corporation tax rate from 19% to 25% with effect from 1 April 2023. This increase will increase the companies' current tax charge in future periods.

Eagle Target 5 Limited

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

7. Investments

	Shares in group undertakings C\$'000	Amounts owed by group undertakings C\$'000	Total C\$'000
Cost and net book value			
1 January 2022	73,063	118,027	191,090
Interest	-	5,213	5,213
Repayment of loan	-	(475)	(475)
Tax adjustment	-	(121)	(121)
31 December 2022	73,063	122,644	195,707

A complete list of subsidiary companies is set out below. Unless otherwise stated, investments are held indirectly.

The amounts owed by group undertakings are expected to be recovered after 12 months from balance sheet date. There is no expectation that repayment will be received in the foreseeable future. The interest rate on amounts owed by group undertakings is 6.15% (2021: 6.15%).

Name	Country of registration	Nature of business	Proportion of issued ordinary share capital held by holding company %
Busy Bees Canada Holdings Limited*	Canada	Management services/ holding company	100%
BrightPath Early Learning Inc	Canada	Childcare services	100%
BrightPath Kids Corp.	Canada	Childcare services	100%
EPG Realty Inc.	Canada	Childcare services	100%
ABC Academy Inc.	Canada	Childcare services	100%

***Held Directly**

The registered address of Busy Bees Canada Holdings Limited is 79 Wellington St. W. 30th Floor, TD South Tower, Toronto, ON M5K 1N2.

The registered address of BrightPath Early Learning Inc. and EPG Realty Inc. is 200 Rivercrest Drive, SE, Suite 201, Calgary, AB, T2C 2X5.

The registered address of BrightPath Kids Corp. and ABC Academy Inc is 2141627 Ontario Limited, ABC Academy Inc., 199 Bay Street, Suite 5300, Commerce Court West, Toronto, ON M5L1B9.

Eagle Target 5 Limited

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

8. Creditors: amounts falling due within one year

	2022 C\$'000	2021 C\$'000
Amounts owed to group undertakings	12,051	12,051
Corporation tax	759	407
	<u>12,810</u>	<u>12,458</u>

The amounts owed to group undertakings are repayable on demand and no interest is charged on these amounts (2021: nil). Intercompany balances reflect funding arrangement with subsidiary undertakings.

9. Called-up share capital

	2022 C\$	2021 C\$
Called-up, allotted and fully paid		
97,528,731 A ordinary shares of £0.01 each	1,594,008	1,594,008
10 B ordinary shares of £0.000001 each	-	-
	<u>1,594,008</u>	<u>1,594,008</u>

No rights, preferences and restrictions are attached to the ordinary shares.

10. Commitments

- (a) The Company has no capital commitments as at 31 December 2022.
- (b) At 31 December 2022 the Company had no non-cancellable operating leases.

11. Controlling parties

The Company's immediate parent undertaking is Eagle Bidco 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 Bidco Limited, Eagle Superco Limited and Eagle Midco Limited are all incorporated in the United Kingdom and registered at St Matthews, Shaftesbury Drive, Burntwood, Staffordshire, WS7 9QP. The consolidated financial statements of Eagle Superco Limited and Eagle Midco Limited can be obtained from the 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.