

Company Registration No. 10836436

Eagle Target 5 Limited

Annual report and financial statements

For the year ended 31 December 2020



Eagle Target 5 Limited

Report and financial statements 2020

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Eagle Target 5 Limited

Strategic report (continued)

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 under the Busy Bees brand. The Company is a wholly owned subsidiary of Eagle Superco Limited and, with fellow subsidiaries, is collectively referred to as the Busy Bees group of companies ('the Group'). The Company holds investments in group companies in Canada.

The profit for the year was C\$3,558,000 (2019: C\$2,974,000). Shareholder's funds were C\$174,293,000 as at 31 December 2020 (2019: C\$170,735,000).

The directors expect the general level of activity to remain broadly the same in the coming year. 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.

In June 2020, the Group were successful in seeking approval for a temporary amendment and deferral of some of its lending covenants. In addition, the Group received an extension to the Group's Revolving Credit Facility ('RCF') maturity. These measures in combination meant the Group were able to achieve financial stability.

In March 2021, the Group successfully refinanced its borrowing facilities. New GBP and Euro Term Loan B ("TLB") loans of £365.9m and €257.1m respectively together with £25m of Group cash were used to repay the existing TLB loans of £566.7m and €50m. The new loans have a tenure of seven years and will incur interest at LIBOR + 4.75% on the GBP loan and Euribor + 3.75% on the Euro loan. The existing RCF facility of £75m was also replaced with a new facility of £100m which has a tenure of six and a half years. The RCF facility incurs interest on any amount drawn of LIBOR + 4.00%.

These facilities alongside the operational performance of the business provide a solid platform for the Group to continue its growth and expansion strategy whilst continuing to deliver high quality childcare.

Section 172(1) Statement

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

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

a. Long-term decision making

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

b. Stakeholders: Employees

The 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.

Eagle Target 5 Limited

Strategic report (continued)

Section 172(1) Statement (continued)

e. Reputation for high standards of business conduct

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

f. Acting fairly as between members of the Company

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

Statement on Employee Engagement

The 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.

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.

Principal risks and uncertainties (continued)

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.

Eagle Target 5 Limited

Strategic report (continued)

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.

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.

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.

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 has 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.

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.

Eagle Target 5 Limited

Strategic report (continued)

Going concern (continued)

The Company is reliant on the support of its parent company, Eagle Superco Limited, to be able to meet its liabilities as they fall due. However, the directors consider that the Company is an integral part of Eagle Superco Limited structure and strategy, which is evidenced by a letter of support 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
28 September 2021

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 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.

Directors

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

J C Douin – resigned 21st September 2021
S A Irons – resigned 21st September 2021
M J Randles – resigned 21st September 2021
M G P Davies
M P Muller – appointed 21st September 2021

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
28 September 2021

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 (continued)

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 2020 and of its profit for the period 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 balance sheet;
- the statement of income and retained earnings; and
- the notes to the financial statements 1 to 13.

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 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 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 period 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:

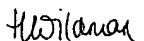
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

London, United Kingdom

28 September 2021

Eagle Target 5 Limited

Profit and loss account

For the year ended 31 December 2020

	Note	2020 C\$'000	2019 C\$'000
Interest receivable and similar income	5	5,692	4,248
Profit before taxation		5,692	4,248
Tax	6	(2,134)	(1,274)
Profit for the financial year		3,558	2,974

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 income and retained earnings

For the year ended 31 December 2020

	2020 C\$'000	2019 C\$'000
Retained earnings at the beginning of the year	11,334	8,360
Profit for the financial year	3,558	2,974
Retained earnings at the end of year	14,892	11,334

The notes on pages 12 to 19 form part of these financial statements.

Eagle Target 5 Limited**Balance sheet****As at 31 December 2020**

		2020	2019
	Note	C\$'000	* Restated C\$'000
Fixed assets			
Investments	7	189,502	184,060
Current assets			
Debtors	8	-	-
Creditors: amounts falling due within one year	9	<u>(15,209)</u>	<u>(13,325)</u>
Net current liabilities		<u>(15,209)</u>	<u>(13,325)</u>
Total assets less current liabilities		<u>174,293</u>	<u>170,735</u>
Capital and reserves			
Called-up share capital	10	1,594	1,594
Share premium		157,807	157,807
Profit and loss account		<u>14,892</u>	<u>11,334</u>
Total equity shareholders' funds		<u>174,293</u>	<u>170,735</u>

* See note 7 for detail on the restatement of prior period balance.

These financial statements of Eagle Target 5 Limited, (registered number 10836436) were approved by the Board of Directors on 28 September 2021 and were signed on its behalf by:



M P Muller
Director

The notes on pages 12 to 19 form part of these financial statements.

Eagle Target 5 Limited

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

1. Accounting policies

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 4.

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.

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.

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%).

Eagle Target 5 Limited

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

2. Accounting policies (continued)

Going concern (continued)

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 has 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.

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.

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 support 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 2020

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 2020

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 publically 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.

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.

A key estimation is the valuation and impairment of investments. An impairment is recognised when the carrying value of the investment is less than the value in use of the underlying business. The impact of COVID-19 on the wider economy means that future business performance may not be as originally planned. If future cashflows are significantly below forecast, an impairment loss may be recognised in future periods. Based on an impairment assessment, there was no impairment charge made in 2020 (2019: £nil). There are no critical accounting judgements in the current year or prior period.

Eagle Target 5 Limited

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

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. 3 directors (2019: 3 directors) were remunerated in the current year by a fellow group company, Busy Bees Holdings Limited. 1 director (2019: 1) was remunerated by the ultimate controlling party, Ontario Teachers' Pension Plan.

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 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

	2020 C\$'000	2019 C\$'000
Interest due from group undertakings	5,692	4,248

6. Tax on profit

	2020 C\$'000	2019 C\$'000
Current tax (see note below)		
Current tax on profit for the year	1,232	1,274
Adjustment in respect of previous periods	902	-
Total current tax charge	2,134	1,274

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:

	2020 C\$'000	2019 C\$'000
Profit before tax	5,692	4,248
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	1,082	807
Effect of:		
- Expenses not deductible	129	-
- Adjustment in respect of previous periods	902	-
- Non-relevant loan relationships	-	454
- Foreign exchange on corporation tax balance	21	13
Total tax charge for the year	2,134	1,274

Factors that may affect future tax charges

The standard rate of tax applied to the reported profit on ordinary activities is 19% (2019: 19%). 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. At 31 December 2020, the Company has unrecognised trading losses of £nil (2019: £nil) available to offset against certain future profits.

Eagle Target 5 Limited

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

7. Investments

	Shares in group undertakings C\$'000	Amounts owed by group undertakings * Restated C\$'000	Total * Restated C\$'000
1 January 2020 (as reported)	73,063	-	73,063
Amounts owed by group undertakings	-	110,997	110,997
1 January 2020 (restated)	73,063	110,997	184,060
Interest	-	5,442	5,442
31 December 2020	73,063	116,439	189,502

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. The interest rate on amounts owed by group undertakings is 6.15% (2019: 6.15%).

*Restatement of prior period balance

In the prior period, amounts owed by group undertakings was classified as debtors falling due within one year on the basis that 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 therefore as of 31 December 2019 amounts owed by group undertakings have been classified as Investments, within Fixed Assets. The above restatement of prior period balances has resulted in net current liabilities increasing by £110,997k 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 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 2020

8. Debtors

	2020 C\$'000	2019 * Restated C\$'000
Amount owed by group undertakings (as reported)	-	110,997
Less: reclassified to investments	-	(110,997)
	<u>-</u>	<u>-</u>

* See note 7 for detail on the restatement of amounts due by group undertaking in the prior period balance.

9. Creditors: amounts falling due within one year

	2020 C\$'000	2019 C\$'000
Amounts owed to group undertakings	12,051	12,051
Corporation tax	3,158	1,274
	<u>15,209</u>	<u>13,325</u>

The amounts owed to group undertakings are repayable on demand and no interest is charged on these amounts (2019: nil).

10. Called-up share capital

	2020 C\$	2019 C\$
Called-up, allotted and fully paid		
97,528,731 A ordinary shares of £0.01 each (2019: 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>

11. Commitments

- (a) The Company has no capital commitments as at 31 December 2020.
- (b) At 31 December 2020 the Company had no non-cancellable operating leases.

12. 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.

Eagle Target 5 Limited

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

13. 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.