

**BHFS Two Limited**

Report and Accounts  
31 December 2005

3 943326

Rees Pollock  
Chartered Accountants



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OFFICERS AND PROFESSIONAL ADVISERS

<b>The Board of Directors</b>	M A Tocio S Dreier E Boland S C Hay D Lissy
<b>Company Secretary</b>	I J M Stocks
<b>Registered Office</b>	2 Crown Court Rushden Northamptonshire NN10 6BS
<b>Auditors</b>	Rees Pollock 35 New Bridge Street London EC4V 6BW
<b>Solicitors</b>	Osborne Clarke One London Wall London EC2Y 5EB  Tods Murray LLP Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG
<b>Registered Number</b>	3943326

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DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2005.

**Principal activities and business review**

The principal activity of the company was that of a holding company.

**Results and dividends**

The trading results for the year and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

**Directors**

The directors who served the company during the year were as follows:

M A Tocio  
S Dreier  
E Boland  
S C Hay  
D Lissy

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the accounts of the ultimate parent company.

**Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies, as described on page 7, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. The directors 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.

**Auditors**

A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



E Boland  
Director

28 JUNE 2006



# REES POLLOCK

Chartered Accountants

35 New Bridge Street  
London EC4V 6BW  
Telephone 020 7778 7200  
Fax 020 7329 6408

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHFS TWO LIMITED

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Rees Pollock  
Chartered Accountants  
Registered Auditors  
28 June 2006

BHFS Two Limited

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2005

	Note	2005 £	2004 £
<b>TURNOVER</b>	2	–	–
Administrative expenses		4,886	5,750
<b>OPERATING LOSS</b>	3	(4,886)	(5,750)
Interest receivable		44,138	–
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		39,252	(5,750)
Tax on profit/(loss) on ordinary activities	5	–	–
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		39,252	(5,750)
Balance brought forward		(15,728)	(9,978)
Balance carried forward		<u>23,524</u>	<u>(15,728)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

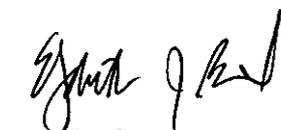
The notes on pages 7 to 10 form part of these accounts.

BHFS Two Limited

**BALANCE SHEET**  
at 31 December 2005

	Note	£	2005 £	2004 £
<b>FIXED ASSETS</b>				
Tangible assets	6		212,079	208,706
Investments	7		24,091,569	24,016,569
			<u>24,303,648</u>	<u>24,225,275</u>
<b>CURRENT ASSETS</b>				
Debtors	8	532,007		885,489
<b>CREDITORS: amounts falling due within one year</b>	9	<u>176,476</u>		<u>325,351</u>
<b>NET CURRENT ASSETS</b>			<u>355,531</u>	<u>560,138</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>24,659,179</u>	<u>24,785,413</u>
<b>CREDITORS: amounts falling due after more than one year</b>	10		<u>23,275,705</u>	<u>23,441,191</u>
			<u>1,383,474</u>	<u>1,344,222</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	11		1	1
Share premium account	12		1,359,949	1,359,949
Profit and loss account			23,524	(15,728)
<b>SHAREHOLDERS' FUNDS</b>	13		<u>1,383,474</u>	<u>1,344,222</u>

The financial statements on pages 5 to 10 were approved by the board of directors on <sup>28<sup>th</sup></sup> June 2006 and were signed on its behalf by:



E Boland  
Director

28 June 2006

The notes on pages 7 to 10 form part of these accounts.

NOTES TO THE ACCOUNTS  
for the year ended 31 December 2005

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

**Consolidation**

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEC and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

**Cash flow statement**

The company is a wholly owned subsidiary of BHFS One Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 1 from preparing its own cash flow statement.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	– 2.5% on a straight-line basis
Fixtures & fittings	– over 4 years

**Deferred taxation**

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable, except where otherwise required by accounting standards.

**Consolidation**

The company was, throughout the year, a wholly-owned subsidiary of another company incorporated in the EEC and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

**2. TURNOVER**

The company's turnover relates solely to its principal activity and is wholly generated within the United Kingdom.

**3. OPERATING LOSS**

Operating loss is stated after charging:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Depreciation of owned fixed assets	<u>4,888</u>	<u>5,750</u>

Auditors' remuneration is borne by the ultimate UK parent company.

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**4. PARTICULARS OF EMPLOYEES**

No salaries or wages have been paid to employees, including the directors, during the year.

**5. TAXATION ON ORDINARY ACTIVITIES**

There is no charge to corporation tax due to the availability of losses.

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before taxation	<u>39,252</u>	<u>(5,750)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 30%	11,776	(1,725)
Effects of:		
Depreciation on assets with no capital allowances	1,466	1,725
Group relief	<u>(13,242)</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>

**6. TANGIBLE FIXED ASSETS**

	<b>Freehold property £</b>
Cost	
At 1 January 2005 and 31 December 2005	<u>230,000</u>
Depreciation	
At 1 January 2005	21,294
Charge for the year	4,888
On disposals	<u>(8,261)</u>
At 31 December 2005	<u>17,921</u>
Net book value	
At 31 December 2005	<u>212,079</u>
At 31 December 2004	<u>208,706</u>

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

## 7. INVESTMENTS

## Investment in subsidiaries

	£
Cost	
At 1 January 2005	24,016,569
Additions	75,000
At 31 December 2005	<u>24,091,569</u>
Net book value	
At 31 December 2005	<u>24,091,569</u>
At 31 December 2004	<u>24,016,569</u>

Details of the investments in which the company holds 20% or more of the nominal value of the ordinary share capital are as follows:

Subsidiary undertaking	Country of incorporation or registration	Percentage holding	Nature of business
Nurseryworks Associates Limited	England	100%	Dormant
Nurseryworks Limited*	England	100%	Dormant
Staffquest Group Holdings Limited	England	100%	Dormant
Bright Horizons Support Services Limited			Early Years
	England	100%	Training
Staffquest Limited	England	100%	Staff Placement
Bright Horizons Family Solutions Limited	England	100%	Staff Placement
Rutland Red Apple Nursery Limited	Scotland	100%	Dormant
Elsie Inglis Red Apple Nursery Limited	Scotland	100%	Dormant
Bright Horizons Livingston Limited	Scotland	100%	Nursery Services
Child & Co (Oxford) Limited	England	100%	Nursery Services
The Birrell Collection Limited	Scotland	100%	Nursery Services

\* Held by a subsidiary undertaking

## 8. DEBTORS

	2005	2004
	£	£
Amounts owed by group undertakings	433,579	533,579
Corporation tax repayable	8,464	-
Other debtors	89,964	351,910
	<u>532,007</u>	<u>885,489</u>

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

**9. CREDITORS: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	£	£
Amounts owed to group undertakings	176,476	105,910
Other creditors	—	167,288
Accruals and deferred income	—	52,153
	<u>176,476</u>	<u>325,351</u>

**10. CREDITORS: amounts falling due after more than one year**

	<b>2005</b>	<b>2004</b>
	£	£
Amounts owed to group undertakings	<u>23,275,705</u>	<u>23,441,191</u>

**11. SHARE CAPITAL**

Authorised share capital:

	<b>2005</b>	<b>2004</b>
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	<b>2005</b>		<b>2004</b>	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

**12. SHARE PREMIUM ACCOUNT**

There was no movement on the share premium account during the financial year.

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2005</b>	<b>2004</b>
	£	£
Profit/(loss) for the financial year	39,252	(5,750)
Opening equity shareholders' funds	<u>1,344,222</u>	<u>1,349,972</u>
Closing equity shareholders' funds	<u>1,383,474</u>	<u>1,344,222</u>

**14. ULTIMATE PARENT COMPANY**

The company's immediate parent undertaking is BHFS One Limited. BHFS One Limited is the head of the smallest group for which consolidated accounts are available. Copies of these consolidated accounts can be obtained from The Secretary, BHFS One Limited, 2 Crown Court, Rushden, Northamptonshire NN10 6BS. The ultimate holding company and controlling party is Bright Horizons Family Solutions Inc. a company registered in the United States of America.