

BHFS Two Limited

Report and Accounts
31 December 2006

Rees Pollock
Chartered Accountants

TUESDAY



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29/04/2008

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COMPANIES HOUSE

OFFICERS AND PROFESSIONAL ADVISERS

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

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2006

Principal activities and business review

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

BHFS Two Ltd is an intermediate holding company of BHFS One Ltd and, as such, it is inappropriate to present an analysis of the company's key performance indicators. However, the company's parent company, BHFS One Limited, produces a full business review in its consolidated accounts

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

D Lissy

S C Hay

(Resigned 30 June 2006)

Directors' responsibilities

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to re-appoint Rees Pollock as auditor 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

8 April 2008



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 of BHFS Two Limited for the year ended 31 December 2006 on pages 5 to 10 which have been prepared on the basis of 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 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities 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 whether in our opinion the information given in the Directors' Report is consistent with the accounts. In addition we report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and other transactions 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 2006 and of its loss for the year then ended, the accounts have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the accounts for the year ended 31 December 2006.

Rees Pollock
Chartered Accountants & Registered Auditors

29 April 2008

BHFS Two Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER		—	—
Administrative expenses		<u>4,887</u>	<u>4,886</u>
OPERATING LOSS	2	(4,887)	(4,886)
Interest receivable		3,641	44,138
Interest payable and similar charges	4	<u>(24,229)</u>	<u>—</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(25,475)	39,252
Tax on (loss)/profit on ordinary activities	5	<u>—</u>	<u>—</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(25,475)</u>	<u>39,252</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

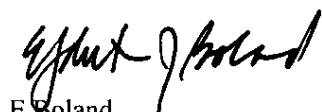
BHFS Two Limited

BALANCE SHEET

at 31 December 2006

	Note	£	2006 £	2005 £
FIXED ASSETS				
Tangible assets	6		207,192	212,079
Investments	7		31,404,947	24,091,569
			<u>31,612,139</u>	<u>24,303,648</u>
CURRENT ASSETS				
Debtors	8	1,311,562		532,007
CREDITORS amounts falling due within one year	9	<u>2,520,090</u>		<u>176,476</u>
NET CURRENT (LIABILITIES)/ASSETS			(1,208,528)	355,531
TOTAL ASSETS LESS CURRENT LIABILITIES			30,403,611	24,659,179
CREDITORS amounts falling due after more than one year	10		29,045,612	23,275,705
			<u>1,357,999</u>	<u>1,383,474</u>
CAPITAL AND RESERVES				
Called-up equity share capital	11		1	1
Share premium account	12		1,359,949	1,359,949
Profit and loss account	12		(1,951)	23,524
SHAREHOLDERS' FUNDS	12		<u>1,357,999</u>	<u>1,383,474</u>

The accounts on pages 5 to 10 were approved by the board and authorised for issue on 8 April 2008 and were signed on its behalf by



E Boland
Director

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

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 EEA 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 directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the accounts on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Related parties transactions

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 8 from disclosing transactions with members or investees of the BHFS One Limited group

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

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

2. OPERATING LOSS

Operating loss is stated after charging

	2006	2005
	£	£
Depreciation of owned fixed assets	4,887	4,888
Auditor's remuneration		
– as auditor	–	–

Auditors' remuneration is borne by a fellow subsidiary of the BHFS One Limited group

3. PARTICULARS OF EMPLOYEES

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

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Other similar charges payable	<u>24,229</u>	<u>—</u>

5. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2005 – 30%)

	2006	2005
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(25,475)</u>	<u>39,252</u>
(Loss)/profit on ordinary activities multiplied by standard rate of tax	(7,643)	11,776
Depreciation on assets with no capital allowances	1,466	1,466
Group relief	<u>6,177</u>	<u>(13,242)</u>
Total current tax	<u>—</u>	<u>—</u>

6. TANGIBLE FIXED ASSETS

	Freehold property £
Cost	
At 1 January 2006 and 31 December 2006	<u>230,000</u>
Depreciation	
At 1 January 2006	17,921
Charge for the year	<u>4,887</u>
At 31 December 2006	<u>22,808</u>
Net book value	
At 31 December 2006	<u>207,192</u>
At 31 December 2005	<u>212,079</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

7. INVESTMENTS

Investment in subsidiaries

	£
Cost	
At 1 January 2006	24,091,569
Additions	7,313,378
At 31 December 2006	<u>31,404,947</u>
Net book value	
At 31 December 2006	<u>31,404,947</u>
At 31 December 2005	<u>24,091,569</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
Bright Horizons Family Solutions Limited	England	100%	Nursery Services
Bright Horizons Livingston Limited	Scotland	100%	Nursery Services
Beehive Day Nurseries Limited	England	100%	Nursery Services
Daisies Day Nurseries Limited	England	100%	Nursery Services
Staffquest Limited	England	100%	Staff Placement
Bright Horizons Support Services Limited	England	100%	Dormant
Child & Co (Oxford) Limited	England	100%	Dormant
Elsie Inglis Red Apple Nursery Limited	England	100%	Dormant
Nurseryworks Associates Limited	England	100%	Dormant
Nurseryworks Limited*	England	100%	Dormant
Rutland Red Apple Nursery Limited	Scotland	100%	Dormant
The Birrell Collection Limited	Scotland	100%	Dormant

* Held by a subsidiary undertaking

8. DEBTORS

	2006 £	2005 £
Amounts owed by group undertakings	1,042,632	433,579
Corporation tax repayable	21,705	8,464
Other debtors	247,225	89,964
	<u>1,311,562</u>	<u>532,007</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2006

9. CREDITORS amounts falling due within one year

	2006	2005
	£	£
Amounts owed to group undertakings	175,000	176,476
Other creditors	2,320,861	—
Accruals and deferred income	24,229	—
	<u>2,520,090</u>	<u>176,476</u>

10. CREDITORS amounts falling due after more than one year

	2006	2005
	£	£
Amounts owed to group undertakings	<u>29,045,612</u>	<u>23,275,705</u>

11. SHARE CAPITAL

Authorised share capital

	2006	2005
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£	£	£	£
At 1 January 2005	1	1,359,949	(15,728)	1,344,222
Profit for the year	—	—	39,252	39,252
At 31 December 2005	<u>1</u>	<u>1,359,949</u>	<u>23,524</u>	<u>1,383,474</u>
Loss for the year	—	—	25,475	25,475
At 31 December 2006	<u>1</u>	<u>1,359,949</u>	<u>1,951</u>	<u>1,357,999</u>

13. 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.