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BHFS Two Limited

Report and Accounts

31 December 2007

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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

S Kramer

Registered Office

2 Crown Court
Rushden
Northamptonshire
NN10 6BS

Auditor

Rees Pollock
35 New Bridge Street
London
EC4V 6BW

Registered Number

3943326

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2007

Principal activities and business review

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

BHFS Two Limited is a wholly owned subsidiary of BHFS One Limited 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

Directors' responsibilities

The directors are responsible for preparing the annual report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 accounts, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and estimates that are reasonable and prudent,

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts,

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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

DIRECTORS' REPORT *(continued)*

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


in so far as they are aware there is no relevant audit information of which the company's auditor is unaware, and

they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditor

Rees Pollock have expressed their willingness to continue in office and will be re-appointed for the forthcoming year

ON BEHALF OF THE BOARD



E Boland
Director

20 OCT 2008



REES POLLOCK

Chartered Accountants

35 New Bridge Street
London EC4V 6BW
Telephone 020 7778 7200
Fax 020 7329 6408
www.reespollock.co.uk

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BHFS TWO LIMITED

We have audited the accounts of BHFS Two Limited for the year ended 31 December 2007 on pages 5 to 11, 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

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 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 2007 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.

Rees Pollock
Chartered Accountants & Registered Auditors
28 October 2008

Bhfs Two Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER		—	—
Administrative expenses		4,903	4,887
Other operating income	2	23,102	—
OPERATING PROFIT/(LOSS)	3	18,199	4,887
Interest receivable		6,830	3,641
Interest payable and similar charges	5	33,992	24,229
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		8,963	25,475
Tax on loss on ordinary activities	6	—	—
LOSS FOR THE FINANCIAL YEAR		8,963	25,475

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 11 form part of these accounts

Bhfs Two Limited

BALANCE SHEET
at 31 December 2007

	Note	£	2007 £	2006 £
FIXED ASSETS				
Tangible assets	7		202,304	207,192
Investments	8		32,910,188	31,404,947
			<u>33,112,492</u>	<u>31,612,139</u>
CURRENT ASSETS				
Debtors	9	1,041,530		1,311,562
CREDITORS. amounts falling due within one year	10	<u>2,340,796</u>		<u>2,520,090</u>
NET CURRENT LIABILITIES			(1,299,266)	(1,208,528)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>31,813,226</u>	<u>30,403,611</u>
CREDITORS amounts falling due after more than one year	11		<u>30,464,190</u>	<u>29,045,612</u>
			<u>1,349,036</u>	<u>1,357,999</u>
CAPITAL AND RESERVES				
Called-up equity share capital	12		1	1
Share premium account	13		1,359,949	1,359,949
Profit and loss account	13		(10,914)	(1,951)
SHAREHOLDERS' FUNDS	13		<u>1,349,036</u>	<u>1,357,999</u>

The accounts on pages 5 to 11 were approved by the board and authorised for issue on 2008 and were signed on its behalf by


E Boland
Director

20 OCT 2008

The notes on pages 7 to 11 form part of these accounts

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

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

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

2. OTHER OPERATING INCOME

	2007	2006
	£	£
Other operating income	23,102	—

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

	2007	2006
	£	£
Depreciation of owned fixed assets	4,888	4,887
Auditor's remuneration		
- as auditor	-	-

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

4. PARTICULARS OF EMPLOYEES

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Other similar charges payable	33,992	24,229

6. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007	2006
	£	£
Loss on ordinary activities before taxation	(8,963)	(25,475)
Loss on ordinary activities by rate of tax	(2,689)	(7,643)
Effects of		
Depreciation on assets with no capital allowances	1,466	1,466
Group relief	1,223	6,177
Total current tax	-	-

NOTES TO THE ACCOUNTS
for the year ended 31 December 2007

7. TANGIBLE FIXED ASSETS

	Freehold Property £
Cost	
At 1 January 2007 and 31 December 2007	<u>230,000</u>
Depreciation	
At 1 January 2007	22,808
Charge for the year	<u>4,888</u>
At 31 December 2007	<u>27,696</u>
Net book value	
At 31 December 2007	<u>202,304</u>
At 31 December 2006	<u>207,192</u>

8. INVESTMENTS

Investment in subsidiaries

	£
Cost	
At 1 January 2007	31,404,947
Additions	<u>1,505,241</u>
At 31 December 2007	<u>32,910,188</u>
Net book value	
At 31 December 2007	<u>32,910,188</u>
At 31 December 2006	<u>31,404,947</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

8 INVESTMENTS *(continued)*

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
Crocus Early Years Centre Limited	England	100%	Nursery Services
Beehive Day Nurseries Limited	England	100%	Dormant
Daisies Day Nurseries Limited	England	100%	Dormant
Staffquest Limited	England	100%	Dormant
Bright Horizons Support Services Limited	England	100%	Dormant
Pitco 004 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

9. DEBTORS

	2007 £	2006 £
Amounts owed by group undertakings	984,103	1,042,632
Corporation tax repayable	—	21,705
Other debtors	57,427	247,225
	<u>1,041,530</u>	<u>1,311,562</u>

10. CREDITORS amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	2,338,102	175,000
Other creditors	2,694	2,320,861
Accruals and deferred income	—	24,229
	<u>2,340,796</u>	<u>2,520,090</u>

11. CREDITORS amounts falling due after more than one year

	2007 £	2006 £
Amounts owed to group undertakings	<u>30,464,190</u>	<u>29,045,612</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

12. SHARE CAPITAL

Authorised share capital

	2007	2006
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium account	Profit and loss account	Total share-holders' funds
	£	£	£	£
Balance brought forward	1	1,359,949	23,524	1,383,474
Loss for the year	—	—	(25,475)	(25,475)
Balance brought forward	1	1,359,949	(1,951)	1,357,999
Loss for the year	—	—	(8,963)	(8,963)
Balance carried forward	<u>1</u>	<u>1,359,949</u>	<u>(10,914)</u>	<u>1,349,036</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.