

3943326

BHFS Two Limited

Report and Accounts
31 December 2003



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

Solicitors

Osborne Clarke
Hillgate House
26 Old Bailey
London
EC4M 7HW

Registered Number

3943326

The directors present their report and the accounts of the company for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company was that of a holding company until 30 April 2002, at which point it acquired the trade and assets of the Aardmillan Red Apple Nursery which provides nursery care.

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:

R H Brown
M A Tocio
S Dreier
E Boland
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.

E Boland was appointed as a director on 29 August 2003.

D Lissy was appointed as a director on 20 January 2003.

R H Brown resigned as a director on 29 August 2003.

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 at the end of the year and of the profit or loss for the year then ended. 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.

DIRECTORS' REPORT *(continued)*

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

20 Dec 2004



REESPOLLOCK

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 12 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 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.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 United Kingdom Auditing Standards 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 of the state of the company's affairs as at 31 December 2003 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

31 January 2005

BHFS Two Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER	2	166,612	120,419
Administrative expenses		177,562	121,622
OPERATING PROFIT/(LOSS)	3	(10,950)	(1,203)
Interest receivable		10,150	10,075
Interest payable	5	(13,550)	(12,000)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(14,350)	(3,128)
Tax on profit/(loss) on ordinary activities	6	—	—
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(14,350)	(3,128)
Balance brought forward		4,372	7,500
Balance carried forward		(9,978)	4,372

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 12 form part of these accounts.

BHFS Two Limited

BALANCE SHEET
at 31 December 2003

	Note	£	2003 £	2002 £
FIXED ASSETS				
Tangible assets	7		215,658	233,385
Investments	8		12,082,881	12,082,881
			<u>12,298,539</u>	<u>12,316,266</u>
CURRENT ASSETS				
Debtors	9	596,290		581,341
Cash at bank		5,430		2,231
		<u>601,720</u>		<u>583,572</u>
CREDITORS: amounts falling due within one year	10	<u>12,703</u>		<u>268,845</u>
NET CURRENT ASSETS			<u>589,017</u>	<u>314,727</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,887,556</u>	<u>12,630,993</u>
CREDITORS: amounts falling due after more than one year	11		<u>11,537,584</u>	<u>11,266,671</u>
			<u>1,349,972</u>	<u>1,364,322</u>
CAPITAL AND RESERVES				
Called-up equity share capital	12		1	1
Share premium account			1,359,949	1,359,949
Profit and loss account			(9,978)	4,372
SHAREHOLDERS' FUNDS	13		<u>1,349,972</u>	<u>1,364,322</u>


E Boland
Director

20 Dec 2004

The notes on pages 7 to 12 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

1. ACCOUNTING POLICIES

Basis of accounting

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

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.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax.

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:

Fixtures & fittings	- over 4 years
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.

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 PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2003	2002
	£	£
Depreciation of owned fixed assets	<u>15,944</u>	<u>271</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Nursery staff	<u>21</u>	<u>15</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	108,241	77,472
Social security costs	<u>5,280</u>	<u>3,117</u>
	<u>113,521</u>	<u>80,589</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable on bank borrowing	2,465	2,000
Finance charges	1,085	—
Other similar charges payable	<u>10,000</u>	<u>10,000</u>
	<u>13,550</u>	<u>12,000</u>

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	<u>—</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

6. TAXATION ON ORDINARY ACTIVITIES *(continued)***(b) 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% (2002 - 30%).

	2003	2002
	£	£
Profit/(loss) on ordinary activities before taxation	(14,350)	(3,128)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 30%	(4,305)	(938)
Effects of:		
Depreciation on assets with no capital allowances	5,413	—
Capital allowances in advance of depreciation	—	(5)
Movement in unprovided deferred tax asset	1	943
Group relief	(1,109)	—
Total current tax (note 6(a))	—	—

7. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures & fittings £	Total £
Cost			
At 1 January 2003	232,500	1,156	233,656
Additions	—	717	717
Disposals	(2,500)	—	(2,500)
At 31 December 2003	230,000	1,873	231,873
Depreciation			
At 1 January 2003	—	271	271
Charge for the year	15,544	400	15,944
At 31 December 2003	15,544	671	16,215
Net book value			
At 31 December 2003	214,456	1,202	215,658
At 31 December 2002	232,500	885	233,385

8. INVESTMENTS**Investment in subsidiaries**

	£
Cost	
At 1 January 2003 and 31 December 2003	12,082,881
Net book value	
At 31 December 2003	12,082,881
At 31 December 2002	12,082,881

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

8. INVESTMENTS *(continued)*

The results of the subsidiary undertakings were as follows:

	2003 £	2002 £
Aggregate capital and reserves		
Nurseryworks Associates Limited	164,606	167,953
Nurseryworks Limited	593,083	175,732
Staffquest Group Holdings Limited	—	54
Bright Horizons Support Services Limited	49,819	53,741
Staffquest Limited	285,683	161,493
Bright Horizons Family Solutions Limited	(926,002)	218,017
Rutland Red Apple Nursery Limited	(11,080)	(8,274)
Elsie Inglis Red Apple Nursery Limited	26,120	17,159
Bright Horizons Livingston Limited	350,967	271,589
Profit and (loss) for the year		
Nurseryworks Associates Limited	(3,347)	(20,333)
Nurseryworks Limited	417,351	(880)
Staffquest Group Holdings Limited	—	—
Bright Horizons Support Services Limited	(3,922)	(9,283)
Staffquest Limited	124,190	138,978
Bright Horizons Family Solutions Limited	(1,144,019)	15,600
Rutland Red Apple Nursery Limited	(2,806)	(6,523)
Elsie Inglis Red Apple Nursery Limited	8,961	(2,574)
Bright Horizons Livingston Limited	79,378	(8,980)

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

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%	Nursery Services
Nurseryworks Limited*	England	100%	Nursery Services
Staffquest Group Holdings Limited	England	100%	Holding Company
Bright Horizons Support Services Limited*	England	100%	Early Years Training
Staffquest Limited*	England	100%	Staff Placement
Bright Horizons Family Solutions Limited*	England	100%	Nursery Services
Rutland Red Apple Nursery Limited	Scotland	100%	Nursery Services
Elsie Inglis Red Apple Nursery Limited	Scotland	100%	Nursery Services
Bright Horizons Livingston Limited	Scotland	100%	Nursery Services

* Held by a subsidiary undertaking

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

9. DEBTORS

	2003	2002
	£	£
Trade debtors	410	5,264
Amounts owed by group undertakings	586,129	572,189
Other debtors	9,751	3,888
	<u>596,290</u>	<u>581,341</u>

10. CREDITORS: amounts falling due within one year

	2003	2002
	£	£
PAYE and social security	1,389	1,641
Other creditors	8,342	267,204
Accruals and deferred income	2,972	-
	<u>12,703</u>	<u>268,845</u>

11. CREDITORS: amounts falling due after more than one year

	2003	2002
	£	£
Amounts owed to group undertakings	11,121,560	11,045,647
Amounts owed to associates	416,024	221,024
	<u>11,537,584</u>	<u>11,266,671</u>

12. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit/(Loss) for the financial year	(14,350)	(3,128)
Opening equity shareholders' funds	<u>1,364,322</u>	<u>1,367,450</u>
Closing equity shareholders' funds	<u>1,349,972</u>	<u>1,364,322</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

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, 7th Floor, Hillgate House, 26 Old Bailey, London EC4M 7HS. The ultimate holding company and controlling party is Bright Horizons Family Solutions Inc. a company registered in the United States of America.