

BHFS Two Limited

Report and Accounts
31 December 2000



OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

R H Brown
M A Tocio
S Dreier

Company Secretary

Hillgate Secretarial Limited

Auditors

Rees Pollock
7 Pilgrim Street
London
EC4V 6DR

Registered Office

7th Floor
Hillgate House
26 Old Bailey
London
EC4M 7HS

Registered Number

3943326

The directors present their report and accounts of the company for the period from 9 March 2000 to 31 December 2000.

Principal activities and business review

The was incorporated on 9 March 2000. The principal activity of the company during the period was that of a holding company.

Results and dividends

The trading results for the period, and the company's financial position at the end of the period are shown in the attached Report and Accounts.

The directors have not recommended a dividend.

The directors and their interests in shares of the company

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

R H Brown	(appointed 13 April 2000)
M A Tocio	(appointed 13 April 2000)
S Dreier	(appointed 13 April 2000)

Hillgate Secretarial Limited and Hillgate Nominees Limited were appointed as the company's first directors and resigned on 13 April 2000.

The company is a wholly owned subsidiary and the interests of group directors are in the share capital of the ultimate holding company.

Directors' responsibilities

Company law requires the directors to prepare Report and 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 period and of the profit or loss for the period then ended.

In preparing those Report and Accounts, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the Report and 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 which enable them to ensure that the Report and 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.

BY ORDER OF THE BOARD



S Dreier
Director

25 October 2001



REES POLLOCK

Chartered Accountants

7 Pilgrim Street
London EC4V 6DR
Telephone 020 7329 6404
Fax 020 7329 6408

AUDITORS' REPORT TO THE MEMBERS OF BHFS TWO LIMITED

We have audited the Report and Accounts on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of the directors and the auditors

As described on pages 2 to 3, the company's directors are responsible for the preparation of the Report and Accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 Report and Accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Report and 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 Report and 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 Report and Accounts.

Opinion

In our opinion the Report and Accounts give a true and fair view of the state of the company's affairs as at 31 December 2000 and of the profit of the company for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is exempt from the requirement to produce group accounts under S.248 of the Companies Act 1985.

Rees Pollock
Chartered Accountants
& Registered Auditors

30 October 2001

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 2000

	Note	2000 £
TURNOVER		-
Administrative expenses		-
OPERATING PROFIT		-
Interest receivable		7,500
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,500
Tax on profit on ordinary activities	2	-
RETAINED PROFIT FOR THE FINANCIAL PERIOD		7,500

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

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

BHFS Two Limited
BALANCE SHEET
at 31 December 2000

	Note	£	2000 £
FIXED ASSETS			
Investments	3		1,534,950
CURRENT ASSETS			
Debtors	4	117,550	
CREDITORS: amounts falling due within one year	5	<u>(285,050)</u>	
NET CURRENT LIABILITIES			<u>(167,500)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,367,450</u>
CAPITAL AND RESERVES			
Called-up equity share capital	6		1
Share premium account	7		1,359,949
Profit and Loss Account			<u>7,500</u>
SHAREHOLDERS' FUNDS	8		<u>1,367,450</u>



S Dreier
Director

25 October 2001

The notes on pages 7 to 9 form part of these Accounts.

1. ACCOUNTING POLICIES**Basis of accounting**

The Report and Accounts have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the Report and Accounts on the grounds that the company is small.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Group accounts

The company takes advantage of the exemptions conferred by section 248 of the Companies Act 1985 not to prepare group accounts, since it is a small group.

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

3. INVESTMENTS**Investment in subsidiary**

	£
Cost	
Additions	1,534,950
At 31 December 2000	<u>1,534,950</u>
Net Book Value	
At 31 December 2000	<u>1,534,950</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	Percentage holding	Nature of business
Nurseryworks Associates Limited	100%	Nursery Services
Nurseryworks Limited *	100%	Nursery Services

* Held by a subsidiary undertaking

The aggregate amount of capital and reserves at 31 December 2000 and the results for the period then ended are disclosed for each subsidiary within the accounts of the immediate holding company

NOTES TO THE ACCOUNTS

for the period ended 31 December 2000

4. DEBTORS

	2000 £
Amounts owed by group undertakings	<u>117,550</u>

5. CREDITORS: Amounts falling due within one year

	2000 £
Amounts owed to parent undertaking	110,050
Other creditors	175,000
	<u>285,050</u>

6. SHARE CAPITAL

Authorised share capital:

	2000 £
1,000 Ordinary shares of £1.00 each	<u>1,000</u>

Allotted, called up and fully paid:

	2000 £
Issue of ordinary shares on incorporation	<u>1</u>

7. SHARE PREMIUM ACCOUNT

	2000 £
Premium on shares issued in the period	<u>1,359,949</u>

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £
Profit for the financial period	7,500
New equity share capital subscribed	1
Premium on new share capital subscribed	<u>1,359,949</u>
	1,359,950
Net addition to funds	<u>1,367,450</u>
Closing shareholders' equity funds	<u>1,367,450</u>

9. ULTIMATE PARENT COMPANY

The ultimate holding company is Bright Horizons Family Solutions Inc. a company registered in the United States.