COMPANY REGISTRATION NUMBER: 03943330

BHFS One Limited

Annual Report and Financial Statements

Year ended

31 December 2022

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Officers and Professional Advisers

THE BOARD OF DIRECTORS	E Boland J Butler J Casagrande R Marshall
COMPANY SECRETARY	S Kramer
REGISTERED OFFICE	Pioneer House 7 Rushmills Northampton NN4 7YB
AUDITOR	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

BHFS One Limited

Strategic Report

Year ended 31 December 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022. BHFS One Limited (the 'Group') consolidates a number of companies that provide in-centre-based child care and back-up care under the brand of Bright Horizon.

Review of Business

Bright Horizons is proud to be one of the UK's leading providers of high-quality care and education with circa 290 nurseries in the UK.

Bright Horizons services are designed to help families, employers, and their employees solve the challenges of the modern workforce across life and career stages. Our services in the UK are comprised of full service centre-based child care and back-up care.

The Great Place to Work Institute has recognised us as one of the Best Workplaces in the UK since 2006, awarding us Master status in 2015 in reflection of ten consecutive years. We are the only company in the childcare sector to achieve this. Bright Horizons has been recognised as one of UK's best workplaces in both 2021 and 2022.

Developments

During the year ended 31 December 2022, we saw solid growth in back-up care and other services.

While we continue to see year-over-year growth and progress, we are still navigating through a dynamic operating environment that is recovering from the COVID-19 pandemic and the resulting impact on workplace and work-from-home policies and disrupted staff availability, and is also being impacted by the effects of current macroeconomic conditions.

We continue to monitor and respond to the changing conditions, challenges and disruptions resulting from the COVID-19 pandemic, and the changing needs of clients, families and children. We remain focused on our strategic priorities to deliver high quality education and care services, connect across our service lines, extend our impact on new customers and clients, and preserve our strong culture. We have executed a number of strategic actions to strengthen our client partnerships and our employee value proposition to better position us as the service provider and employer of choice in our industry. As the early education industry continues to be impacted by a challenging labour market, we continue to invest in our employees and build on what makes us an employer of choice. We have enhanced compensation and expanded employee benefits, enhanced our mental health and wellness resources.

As we continue to recover from the impact of the pandemic, we remain committed to serving the needs of families, clients and our employees. We are confident in our value proposition, business model, the strength of our client partnerships, the strength of our balance sheet and liquidity position, and our ability to continue to respond to changing market conditions.

Key Performance Indicators

A summary of both financial and non financial key performance indicators is provided below.

	2022	**2021**
Revenue (in £000s)	263,308	243,100
EBITDA* (in £000s)	6,585	16,073
Number of centres as at 31 December	290	297
Number of places (capacity)	23,972	24,372

*EBITDA is defined as earnings before interest, tax, depreciation, amortisation and impairment.

Key Performance Indicators *(continued)*

As of 31 December 2022, Bright Horizons operated 290 centres in the United Kingdom. During the year ended 31 December 2022, we opened one new centre and permanently closed 8 locations where demand for childcare and economics had shifted

Our revenue comprises of full service centre-based child care and back-up care. Full service centre-based child care includes traditional centre-based early education and child care, preschool and elementary education provided to parents and clients. Back-up care consists of centre-based back-up child care, in-home care for children and adult/elder dependents, school age camps, virtual tutoring, pet care and self-sourced reimbursed care provided to clients. Revenue has increased by 8% from £243,100k in in 2021 to £263,308k in 2022. The increase was largely attributable to an increase in our back-up care offering.

EBITDA is an alternative performance measure but is reviewed by the Board and senior management on a regular basis as a key performance measure and a metric for the cash generated by the business. EBITDA in 2022 decreased from £16,073k in 2021 to £6,585k in 2022. The decrease was primarily driven by the inflationary pressures on the Group's cost base including temporary labour spend.

Net current liabilities increased from £46,019k in 2021 to £54,333k in 2022 primarily due to additional funding received from the US parent company. Creditors falling due after more than one year, in 2022 increased to £499,139k from £474,786k in 2021 as additional interest has been accruing on the long-term intercompany debt with US parent.

Strategy and Objectives

Bright Horizons' Group strategy is to continue to serve more children, families and clients; provide sustainable, safe, high quality care and education achieved through a world class workforce and leadership; and grow a socially responsible and innovative and thriving organisation.

Our ability to fully return to the operating income levels at which we operated prior to COVID-19, and to continue to increase operating income in the future, will depend upon our ability to continue to regain and sustain the following characteristics of our business and our strategic growth priorities:

- maintenance and incremental growth of enrolment in our mature and ramping centres, and cost management in response to changes in enrolment in our centres;
- attraction and retention of qualified early childhood educators to meet the enrolment demand;
- effective pricing strategies, including tuition increases that correlate with expected increases in personnel costs, including wages and benefits, and additional pricing actions to accommodate higher operating costs and the impact of persistent inflation;
- additional growth in expanded service offerings and cross-selling of services to clients;
- additional growth in the number of back-up care uses and care use types;
- successful identification and integration of acquisitions and transitions of management of centres; and,
- successful management and improvement of underperforming centres.

The Group's objective is to continue to grow through a combination of organic growth and acquisitions, integrating its acquisitions into the Group and introducing best practice throughout. Where appropriate, rationalisation takes place across disciplines to deliver efficiencies and economies of scale without compromising standards.

Strategy and Objectives *(continued)*

Bright Horizons continues to invest in ensuring both the workforce and the leadership are highly engaged, appropriately qualified and skilled and continues to build a culture with a strong purpose and clear values. The senior leadership continue to place great emphasis on the wellbeing of the employees and this is reflected in high employee satisfaction scores, stable employee retention levels and improved performance. In addition, adopting flexible and agile working practices and a family friendly ethos to support its workforce, who have a broad range of caring responsibilities, has been a key element of its People strategy.

Bright Horizons takes a proactive approach to ensuring its buildings and facilities are safe, fully compliant with legislation and provide a stimulating and secure environment. There is a proactive approach to the planned maintenance programme and continued investment in capital works to ensure that the portfolio of properties is maintained to a high standard. This policy will continue into the future.

Principal Risks and Uncertainties

The principal risks for Bright Horizons in the UK are:

1. General economic conditions in the UK are affecting employment and consumer spending, both of which have an impact on the Group's business as we principally serve working families and employers who have included on-site childcare as a benefit to their employees.

Throughout 2022, the UK economy has been experiencing a slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, and the lingering impact of Brexit and the COVID-19 pandemic have a negative impact on the economic outlook.

A further deterioration of general economic conditions may adversely impact the need for our services because out-of-work parents may decrease or discontinue the use of childcare services, or be unwilling to pay tuition for high-quality services.

Uncertainty or a deterioration in economic conditions could also lead to reduced demand for our services as employer clients may reduce or eliminate their sponsorship of work and family services.

Additionally, we may not be able to increase the price for our services at a rate consistent with increases in our operating costs. If demand for our services were to decrease, it could disrupt our operations and have a material adverse effect on our business and operating results.

The UK Group continues to review its cost base, in order to remain competitive, and a number of cost-reduction initiatives were implemented in year. An introduction of new systems across the business has allowed for gaining cost efficiencies.

The growth in demand for our services is dependent on the successful rollout of the government's free childcare expansion plans announced in Spring 2023. In addition to existing funding, from April 2024 working parents will get 15 free hours for two-year-olds, from September 2024, 15 free hours will be available from nine months, and from September 2025, 30 free hours will be available from nine months until the start of school.

2. The provision of childcare services is personnel intensive. Our business depends on our ability to attract, train, and retain the appropriate mix of qualified employees and on effectively implementing and maintaining strong employee relations, cultivating an atmosphere of trust, and effectively communicating the value proposition of working at Bright Horizons.

Principal Risks and Uncertainties *(continued)*

The early education and childcare industry traditionally has experienced high turnover rates. In addition, laws require our teachers and other staff members to meet certain educational and other minimum requirements, and we often require that teachers and staff at our centres have additional qualifications. We are also required by government regulation to maintain certain prescribed minimum teacher-to-child ratios.

If we are unable to hire and retain qualified teachers at a centre, we could be required to reduce enrolment, close classrooms or centres or be prevented from accepting additional enrolment in order to comply with such mandated ratios. We may continue to experience difficulty in attracting, hiring and retaining qualified teachers due to tight labour pools and we may experience difficulty in attracting and retaining teachers due to changes in the work environment as a result of the COVID-19 pandemic.

Such market pressures have required us to offer increased salaries, enhanced benefits and institute additional initiatives to maintain strong employee relations, which increase costs, and may further increase costs in the future.

3. Changes in laws and regulations could impact the way we conduct business. Our childcare and early education centres and back-up care services are subject to numerous central and local government regulations, including among other issues, the adequacy of buildings and equipment, licensed capacity, adult-to-child ratios, educational qualifications and training of staff, record keeping, dietary program, daily curriculum, hiring practices, health and safety standards, and data privacy statutes.

The safety and well-being of children and our employees is paramount for us. We employ a variety of security measures at our childcare and early education centres, which typically include secure electronic access systems as well as sign-in and sign-out procedures for children, among other site-specific security measures. In addition, our trained teachers and open centres designs help ensure the health and safety of children. Our childcare and early education centres are designed to minimise the risk of of injury to children by incorporating such features as child-sized amenities, rounded corners on furniture and fixtures, age-appropriate toys and equipment and cushioned fall zones surrounding play structures.

4. A regional or global health pandemic, not unlike the COVID-19 pandemic, depending on its duration and severity, could severely affect our business. Enrolment in our childcare centres could experience sharp declines as families might avoid taking their children out in public or to centre-based care in the event of a health pandemic, and local, regional or national governments might limit or ban public interactions to halt or delay the spread of diseases causing business disruptions and the temporary closure of our centres. Additionally, a health pandemic could also impair our ability to hire and maintain an adequate level of staff and may have a disproportionate impact on our business compared to other companies that depend less on the in-person provision of services.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires the Directors to consider the interests of stakeholders and other matters in their decision making.

The directors continue to have regard to the interests of the children in our care, the Group's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the Company for its members in the long term.

Section 172(1) Statement *(continued)*

The Board regularly reviews the principal shareholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.

The Board promotes accountability and transparency with all external stakeholders and with representatives of the government and the media.

The Board understands that good governance and effective communication are essential to deliver he Group's strategic objectives and to foster the Group's relationships with all stakeholders including children and parents, employees, suppliers and the wider community.

The key Board decisions made in the year are set out below:

Significant events/decisions - *Acquisition of TiggyWigs Limited*
Key s.172 stakeholders affected - *Children and families, Employees*
Actions and impact:

- The Board, as supported by our acquisition team took the decision to complete on the TiggyWigs acquisition in October 2022 following a careful evaluation with the goal of offering the best in class service to children and families.
- Following the acquisition, we undertook a major refurbishment programme of both Rosebud and TiggyWigs nursery buildings and integrated them into one spacious nursery with a larger outdoor play and learning space. This resulted in enhancement of both the children's learning experiences and the working environments we provide for our team members at both nurseries.
- Employees of TiggyWigs have been integrated within the Bright Horizons team with access to regular training and development opportunities.

Significant events/decisions - *Go-live of new Finance System*
Key s.172 stakeholders affected - *Employees, Shareholders*
Actions and impact:

- The Board took a decision to go live globally with a new finance system on 1 January 2022.
- The new system has introduced significant efficiencies in day-to-day finance processes and offers enhanced reporting and compliance capabilities.
- The successful implementation of the new system is a strategic step that will enable scalability of the Bright Horizons business.

Significant events/decisions - *Adoption of Diversity, Equality, Inclusion and Belonging (DEIB) strategy*
Key s.172 stakeholders affected - *Employees*
Actions and impact:

- In 2021, a DEIB strategy was adopted that supports the strategic objectives of the people, quality and growth.
- In 2022, further steps were taken to bring the strategy to life including the appointment of Chair and Co-Chairs of DEIB.
- Chair and Co-chair of DEIB have been tasked with raising the awareness of the DEIB strategy, engage in training activities, communicate updates and contribute towards creating a safe and inclusive work environment where colleagues can be their authentic selves

Section 172(1) Statement ***(continued)***

The safety and wellbeing of the children in our care

We nourish and nurture each child's potential, giving them the confidence, desire and learning skills to enter school enthusiastically and continue their journey as lifelong learners. We continue to develop and refine our suite of education enhancements, which include elements such as Growing Writers, Growing Mathematicians, Growing Artists and Growing Scientists.

The health, safety and well-being of children, families and staff is our top priority. We adhere to rigorous health, hygiene, and disinfecting practices. Our protocols were developed in consideration of central and local public health guidelines. We have health and safety personnel dedicated to supporting our centres and other operations to ensure compliance with our policies and practices, and to ensure that we set the highest standards in all areas.

We employ a variety of security measures at our early education and child care centres, which typically include secure electronic access systems, as well as sign-in and sign-out procedures for children, among other site-specific security measures. In addition, our trained teachers and clear sightline centre designs help ensure the health and safety of children. Our early education and child care centres are designed to minimise the risk of injury to children by incorporating features such as child-sized amenities, rounded corners on furniture and fixtures, age-appropriate toys and equipment and cushioned fall zones surrounding play structures.

The impact of the company's operations on the community and the environment

Bright Horizons has been a champion for working families - designing and delivering innovative education and care solutions - guided by our HEART principles - Honesty, Excellence, Accountability, Respect, and Teamwork.

Through our registered charity Bright Horizons Foundation for Children (UK) we work to help children and families in crisis, creating and managing over 88 (2021: 86) Bright Spaces where children can play and feel safe, in partnership with community partners such as domestic violence refuges, refugee centres, and the Metropolitan Police.

The Board continues to encourage involvement of Bright Horizons employees and customers in supporting local communities.

The interest of the company's employees and their involvement in key decisions

Bright Horizons is a recognised Investor in Diversity (as recognised by the Diversity Council) and is committed to providing an inclusive environment where everyone has equal opportunity - and support - to succeed. This is achieved through a combination of engaging line managers to maintain an inclusive and diverse approach to recruitment and retention, training initiatives and positive action throughout the business. The Group gives full and fair consideration to applications for employment that disabled people make. Bright Horizons is committed to the training, career development and promotion of disabled people and for the continuing employment and training of employees who have become disabled while employed by the Company.

Bright Horizons has a strong ethos of consultation with members of staff at all levels, both formally and informally. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Section 172(1) Statement *(continued)*

Bright Horizons recognises that life isn't just about work and our comprehensive rewards package is designed to help our people live their life to the best and be rewarded for the results they deliver. This includes a wide range of core benefits such as Life Assurance, Cycle to Work, Back-up Care, Carers UK resources and Financial Education. We regularly survey our employees to gain their feedback, offering flexible working opportunities and structured training and professional development opportunities, as well as resources which support both individual and family wellbeing, enabling our colleagues to balance their work and home life effectively.

The need to foster the company's relationships with suppliers

The dedicated procurement function ensures Bright Horizons is prepared for supply chain disruptions and external market risk. It establishes an end-to-end value-stream process and utilises a customer-centric tools and methods.

It is the Group's policy to agree terms with its suppliers, terms of settlement which are appropriate for the markets in which they operate, and to abide by such terms where suppliers have also met their obligations.

We continue to work hard with all our supply chain to reduce waste packaging, reduce food waste and eliminate products that are harmful to our environment in addition to education our children on the importance of behaviour and its impact on the environment.

Please refer to the energy and carbon emissions disclosure in the Directors' report.

Financial Risk Management

The Group is a wholly owned subsidiary of Bright Horizons Family Solutions LLC, a wholly owned subsidiary of Bright Horizons Family Solutions Inc. The Company is quoted on the New York Stock Exchange with a market capitalisation of $4.9bn as at 23 May 2023. The Group's growth has been supported and funded in part by its US parent company with a combination of equity capital and intercompany loans. The Group is financially strong and it complements its operational and competitive strengths.

This report was approved by the board of directors on Sep 28, 2023 and signed on behalf of the board by:

john butler

J Butler
Director

BHFS One Limited

Directors' Report

Year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors

The directors who served during the year were as follows:

E Boland	
J Casagrande	
R Marshall	
J Butler	(Appointed 2 May 2022)
G Fee	(Resigned 2 May 2022)

Results and Dividends

The loss for the year, after taxation, amounted to £63,331,000 (2021: restated loss of £39,428,000).

The directors do not recommend the payment of a dividend for the year under review (2021: £nil).

Energy and Carbon Reporting

	Unit	2022	2021
Transport	tCO2e	239	166
Gas	tCO2e	3,339	3,749
Electricity	tCO2e	2,037	3,939
Total emissions	tCO2e	5,615	7,854
Total energy consumption	kWh	29,795,493	29,142,677

The Bright Horizons Group monitors its energy use and takes steps to reduce the business' impact on climate change.

As part of the corporate social responsibility initiatives, Bright Horizons have obtained a Carbon Footprint Certification and have a green strategy in place focused on three main tiers as follows:

- Energy use - aimed at adopting energy efficiency measures and improved operational efficiencies at nurseries
- Travel and transport - focused on reducing greenhouse gas emissions from business travel
- Product - focused on reducing food waste in nurseries, as well as the use of plastic packaging

The Group have followed the 2019 HM Government Environmental Reporting Guidelines and GHG Reporting Protocol - Corporate Standard and have also used the 2022 UK Government's Conversion *Factors for Company Reporting. An operational approach was used to define our boundary and scopes.*

The Streamlined Energy and Carbon Reporting (SECR) details have been prepared with assistance by an external energy consultant to calculate the total energy use and associated emissions for the period. This information includes electricity and natural gas plus the mandated transport, which includes Company car usage and Grey Fleet Mileage.

Energy and Carbon Reporting *(continued)*

The primary source for energy consumption for electricity and natural gas is supplier invoice data. Where invoices are not in line with the financial year a pro rata calculation has been used to estimate the usage which falls within the reporting period. Where consumption data was unavailable for part of the year, the missing data was estimated using the average monthly consumption for the period data was obtained. For sites where no data was available, the annual consumption was estimated based on the average annual consumption across the sites where data was accessible. The electricity contract is 100% renewable.

Company Car usage is calculated from either Mileage or from expenses, where litres used are calculated using the average forecourt diesel prices published by the AA.

Grey Fleet mileage is calculated using the expense claims at 45p/mile and using a split of 62% Petrol, 38% Diesel. This split was taken from the National Office of Statistics Data collated for private cars registered on the road as at the end Q3 2022.

Based on the total program capacity, it is estimated that the Group generated c. 0.23 (2021: 0.31) of CO2 emissions for each nursery place.

The year-on-year reduction in CO2 emissions is driven by the following factors:

- We secured a new contract for certifiable renewable electricity supply.
- We furnished 17 nurseries with LED lighting, which on average, reduced emissions by c .5 tones CO2 per site/ year.
- Loft and fabric insulation is a proven method of reducing energy consumption. 5 refurbishment projects have benefited from investment in insulation and upgrades to windows to drive down energy consumption and carbon emissions.
- Monthly gas, electricity and water meter reading is being recorded at all of our settings to ensure accurate billing rather than estimates. This will allow us to target those settings with the highest usage to identify reduction efficiencies.

Financial Risk Management

The main risk arising from the company's financial instruments is capital risk management.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate returns for shareholders while whilst adding value and benefits for our stakeholders. The Group manages its capital usage and liquidity through closely monitoring and reviewing cash flows.

The Group has no externally imposed capital requirements and no external debt.

Management consider that the Group exposure to credit risk is limited due to the fact that the majority of the Group's revenue is collected form parents via a direct debit.

Further Commentary on principal risks and uncertainties faced by the Group is provided in the Strategic Report.

Qualifying Indemnity Provision

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the period and remains in place to the date of this report.

Going Concern

The directors have reviewed the current financial performance and the liquidity of the business and assessed the Group's ability to continue as a going concern.

While the Group continues to see year-over-year growth and progress, we are still navigating through a dynamic operating environment that is recovering from the COVID-19 pandemic and the resulting impact on workplace and work-from-home policies and disrupted staff availability, and is also being impacted by the effects of current macroeconomic conditions.

The directors anticipate that our cash flows from operating activities will continue to be impacted while our centre operating performance ramps enrolment. As we focus on the enrolment and ramping of centres, management continue to prioritise investments that support current operations and strategic opportunities.

Despite the challenging macroeconomic conditions in the UK, the Group maintained a strong cash position throughout the year and as of 31 December 2022 cash reserves held stood at £3,154k (31 December 2021: £3,922k). Net current liabilities increased from £46,019k in 2021 to £54,333k in 2022 primarily due to additional funding received from the US parent company demonstrating both willingness and ability of the parent company to support the UK operations.

The UK Group is 100% owned by Bright Horizons Family Solutions Inc., a Company incorporated in the USA and listed on New York Stock Exchange. The parent company has declared its ability and willingness to support the UK business, by providing liquidity where required. Whilst Bright Horizons Family Solutions Inc. has also been affected by the pandemic, its liquidity position remains stable and the latest public filing as of 31 December 2022 shows a cash position of $36.2m and an undrawn multi-currency revolving credit facility of $310.8m.

The directors, having reviewed current performance and forecasts, and the factors listed above, have a reasonable expectation that the Group has adequate resources to continue its operations for at least 12 months from the date of authorisation of these accounts. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

Corporate Governance and Obligations

Bright Horizons meets corporate governance obligations and compliance which is supported by internal and external auditors.

During the year, regular governance meetings of the senior leadership team took place to review business operations, key performance indicators and set strategic goals. In addition, our routine internal audit programme was used to identify and address business risks.

The Company is in the process of reviewing its governance structure to comply with the latest UK Corporate Governance Code for large privately-held businesses.

Disclosure of Information in the Strategic Report

The Group's business activities, together with a review of the business, developments, strategy and objectives, principal risks and uncertainties, policy on employment of disabled persons, as well as Section 172(1) statement are set out in the Strategic Report.

Post balance sheet events

On 26 September 2023, Bright Horizons Family Solutions Inc, the ultimate controlling party provided funding to the group of £9.4m for operational activities.

Directors' Responsibilities Statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Disclosure of Information to Auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the *Companies Act 2006*.

This report was approved by the board of directors on Sep 28, 2023 and signed on behalf of the board by:

john butler

J Butler
Director

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BHFS One Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, *the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash* Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 Reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not obtained all the information and explanations we require for our audit;

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations
Based on our understanding of the Group and the industry in which it operates, we considered the significant laws and regulations which directly affect the financial statements such as the education inspection framework (EIF), Companies Act 2006 and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Our procedures in respect of the above included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- We reviewed the Group's tax computations and returns and financial statements against the requirements of the relevant tax legislation and applicable accounting frameworks respectively.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud,
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation, and
- We reviewed and assessed the appropriateness of management estimates and exercised professional scepticism in considering the impact of those estimates in the financial statements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

James Newman

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James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

Date: 28 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BHFS One Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	Note	2022 £000	2021 *(restated)* £000
TURNOVER	4	263,308	243,100
Cost of sales		(147,022)	(132,802)
GROSS PROFIT		116,286	110,298
Administrative expenses		(155,753)	(126,710)
Other operating income	5	138	833
OPERATING LOSS	6	(39,329)	(15,579)
Other interest receivable and similar income	8	27	–
Interest payable and similar expenses	9	(25,017)	(24,105)
LOSS BEFORE TAXATION		(64,319)	(39,684)
Tax on loss	10	988	256
LOSS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		(63,331)	(39,428)

All the activities of the group are from continuing operations.

BHFS One Limited

Consolidated Statement of Financial Position

31 December 2022

	Note	2022 £000	2021 (restated) £000
FIXED ASSETS			
Intangible assets	**11**	182,539	212,945
Tangible assets	**12**	156,039	159,728
		338,578	372,673
CURRENT ASSETS			
Debtors: due within one year	**14**	25,112	23,709
Debtors: due after more than one year	**14**	223	329
Cash at bank and in hand		3,154	3,922
		28,489	27,960
CREDITORS: amounts falling due within one year	**15**	(82,822)	(73,979)
NET CURRENT LIABILITIES		(54,333)	(46,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		284,245	326,654
CREDITORS: amounts falling due after more than one year	**16**	(499,139)	(474,786)
PROVISIONS			
Deferred taxation	**17**	(5,419)	(6,542)
Other provisions	**17**	(5,514)	(7,822)
		(10,933)	(14,364)
NET LIABILITIES		(225,827)	(162,496)
CAPITAL AND RESERVES			
Share premium account	**24**	7,125	7,125
Profit and loss account	**24**	(232,952)	(169,621)
SHAREHOLDERS DEFICIT		(225,827)	(162,496)

These financial statements were approved by the board of directors and authorised for issue on Sep 28, 2023..........., and are signed on behalf of the board by:

john butler

J Butler
Director

Company registration number: 03943330

The notes on pages 24 to 52 form part of these financial statements.

BHFS One Limited

Company Statement of Financial Position

31 December 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Investments	13	306,536	306,536
CURRENT ASSETS			
Debtors: due within one year	14	4,408	4,408
CREDITORS: amounts falling due within one year	15	(1,362)	(1,362)
NET CURRENT ASSETS		3,046	3,046
TOTAL ASSETS LESS CURRENT LIABILITIES		309,582	309,582
CREDITORS: amounts falling due after more than one year	16	(498,987)	(473,970)
NET LIABILITIES		(189,405)	(164,388)
CAPITAL AND RESERVES			
Share premium account	24	7,125	7,125
Profit and loss account	24	(196,530)	(171,513)
SHAREHOLDERS DEFICIT		(189,405)	(164,388)

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act *2006 and has not prepared its own statement of comprehensive income in the financial statements. The* loss for the financial year of the parent company was £25,017,000 (2021: £23,806,000).

These financial statements were approved by the board of directors and authorised for issue on .Sep.28, 2023......, and are signed on behalf of the board by:

john butler

J Butler
Director

Company registration number: 03943330

The notes on pages 24 to 52 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Note	Share premium account £000	Profit and loss account £000	**Total £000**
AT 1 JANUARY 2021 (AS PREVIOUSLY REPORTED)		7,125	(132,435)	(125,310)
Prior period adjustments	**22**	–	2,242	2,242
AT 1 JANUARY 2021 (RESTATED)		7,125	(130,193)	(123,068)
Loss for the year			(39,428)	(39,428)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		–	(39,428)	(39,428)
AT 31 DECEMBER 2021 (RESTATED)		7,125	(169,621)	(162,496)
Loss for the year			(63,331)	(63,331)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		–	(63,331)	(63,331)
AT 31 DECEMBER 2022		7,125	(232,952)	(225,827)

The notes on pages 24 to 52 form part of these financial statements.

BHFS One Limited

Company Statement of Changes in Equity

Year ended 31 December 2022

	Share premium account £000	Profit and loss account £000	**Total** **£000**
AT 1 JANUARY 2021	7,125	(147,707)	(140,582)
Loss for the year		*(23,806)*	*(23,806)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(23,806)	(23,806)
AT 31 DECEMBER 2021	7,125	(171,513)	(164,388)
Loss for the year		(25,017)	(25,017)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(25,017)	(25,017)
AT 31 DECEMBER 2022	7,125	(196,530)	(189,405)

The notes on pages 24 to 52 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	2022	2021 *(restated)*
	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(63,331)	(39,428)
Adjustments for:		
Depreciation of tangible assets	14,168	14,114
Impairment of tangible assets	34	448
Amortisation of intangible assets	17,912	17,090
Impairment of intangible assets	13,800	–
Other interest receivable and similar income	(27)	–
Interest payable and similar expenses	25,017	24,105
Gains on disposal of tangible assets	(308)	(82)
Equity-settled share-based payments	1,535	902
Tax on loss	(988)	(256)
Changes in:		
Trade and other debtors	(832)	(4,714)
Trade and other creditors	(2,747)	3,750
Provisions and employee benefits	(3,667)	163
Cash generated from operations	566	16,092
Tax paid	(1,682)	(2,811)
Net cash (used in)/from operating activities	(1,116)	13,281
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(12,160)	(7,629)
Proceeds from sale of tangible assets	1,816	1,415
Purchase of intangible assets	(90)	(148)
Cash acquired with business combinations	123	1,394
Cash paid to acquire business combinations	(841)	(27,338)
Contingent consideration paid for past business combinations	(14,500)	–
Net cash used in investing activities	(25,652)	(32,306)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of amounts from parent and group undertakings	26,000	4,488
Net cash from financing activities	26,000	4,488
NET DECREASE IN CASH AND CASH EQUIVALENTS	(768)	(14,537)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,922	18,459
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,154	3,922

The notes on pages 24 to 52 form part of these financial statements.

1. GENERAL INFORMATION

BHFS One Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the officers and professional advisers page. The nature of the Group's operations and its principal activities are outlined in the Group Strategic Report.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis otherwise specified within these accounting policies.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

3.2 Going concern

The directors have reviewed the current financial performance and the liquidity of the business and assessed the Group's ability to continue as a going concern.

While the Group continues to see year-over-year growth and progress, we are still navigating through a dynamic operating environment that is recovering from the COVID-19 pandemic and the resulting impact on workplace and work-from-home policies and disrupted staff availability, and is also being impacted by the effects of current macroeconomic conditions.

The directors anticipate that our cash flows from operating activities will continue to be impacted while our centre operating performance ramps enrolment. As we focus on the enrolment and ramping of centres, management continue to prioritise investments that support current operations and strategic opportunities.

Despite the challenging macroeconomic conditions in the UK, the Group maintained a strong cash position throughout the year and as of 31 December 2022 cash reserves held stood at £3,154k (31 December 2021: £3,922k). Net current liabilities increased from £46,019k in 2021 to £54,333k in 2022 primarily due to additional funding received from the US parent company demonstrating both willingness and ability of the parent company to support the UK operations.

The UK Group is 100% owned by Bright Horizons Family Solutions Inc., a Company incorporated in the USA and listed on New York Stock Exchange. The parent company has declared its ability and willingness to support the UK business, by providing liquidity where required. Whilst Bright Horizons Family Solutions Inc. has also been affected by the pandemic, its liquidity position remains stable and the latest public filing as of 31 December 2022 shows a cash position of $36.2m and an undrawn multi-currency revolving credit facility of $310.8m.

3. **ACCOUNTING POLICIES** *(continued)*

3.2 Going concern *(continued)*

The directors, having reviewed current performance and forecasts, and the factors listed above, have a reasonable expectation that the Group has adequate resources to continue its operations for a period of at least 12 months from the date of authorising the financial statements. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

3.3 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company (Section 7 Statement of Cash Flows);
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole (Section 11 Financial Instruments and Section 12 Other Financial Instruments);
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole (Section 33 Related Party Disclosures paragraph 33.7).

3.4 Consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

3.5 Revenue

Parent revenue is generated from providing centre-based childcare including traditional centre-based early education and child care, preschool and elementary education. Parent revenue is recognised net of discounts and excluding value added tax or local taxes on sales. Parent revenue is recognised on performance of the underlying services which is based on attendance at the nurseries operated by the Group.

Client revenue is generated from services such as centre-based back-up child care, in-home care for children and adult/elder dependents, school age camps, virtual tutoring, pet care and self-sourced reimbursed care. Revenue from rendering services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

3. **ACCOUNTING POLICIES** *(continued)*

3.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

3.7 Leased assets

The Group has operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight line basis over the term of the lease, or up to the first break clause.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to the consolidated statement of comprehensive income over the term of the lease.

3. **ACCOUNTING POLICIES** *(continued)*

3.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition and separately identified intangible assets valued at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life which the directors have assessed to be 20 years.

3.9 Intangible assets

An intangible asset acquired in a business combination is recognised as an asset because its fair value can be measured with sufficient reliability. An intangible asset acquired in a business combination is not recognised when it arises from legal of other contractual rights and there is no history or evidence of exchange transactions for the same or similar assets, and otherwise estimating fair value could be dependent on immeasurable variables.

Trademarks are included at cost and are amortised in equal instalments over its estimated life.

Capitalised development costs are included at cost and are amortised in equal instalments over 5 years.

Acquisition related intangible assets (customer relationships, trade names and trademarks) that are acquired by the group are stated at cost less accumulated amortisation and impairment losses.

When an intangible asset is acquired in a business combination, its cost is the fair value at the date of its acquisition. This cost is determined on a basis that reflects an amount that the entity would have paid for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. If the fair value cannot be measured reliably, the asset is not recognised as a separate intangible asset, but is included in goodwill.

3.10 Amortisation

Amortisation of acquisition related intangible assets is charged to total operating expenses on a straight line basis over their estimated useful lives, from the date they are available for use.

Impairments, if any, can be a result of either the evidence that the assumptions for determining the estimated useful lives are incorrect or the annual impairment test of the cash generating unit to which the acquisition related intangible assets are related.

Estimated useful lives of acquisition related intangible assets:

3. **ACCOUNTING POLICIES** *(continued)*

Amortisation *(continued)*

Goodwill	-	20 years
Trade names	-	5 years
Customer relationships	-	5 years
Trademarks	-	Life of the trademark licence
Capitalised development costs	-	3 years

The residual values and useful lives are reviewed at each statement of financial position date and adjusted, if appropriate.

3.11 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3.12 Depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets, except for freehold land, less their estimated residual value, over their expected useful lives.

Depreciation is provided on the following basis:

Freehold property	-	2.5% straight line
Freehold building improvements	-	over 15 years
Leasehold buildings	-	over the term of the lease
Leasehold improvements	-	over 15 years or the remaining term of the lease whichever is shorter
Fixture and fittings	-	14% straight line
Motor vehicles	-	20% straight line
Equipment	-	10% - 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

3.13 Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

3. **ACCOUNTING POLICIES** *(continued)*

3.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.15 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

3.16 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'sterling', which is the company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

3.17 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

3.18 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

3. **ACCOUNTING POLICIES** ***(continued)***

3.19 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.20 Employee costs

Staff costs are recognised within both cost of sales and administrative expenses. Amounts recognised in cost of sales relate to employment costs for nursery workers including cleaners, cooks, teachers and other nursery staff. The amounts recognised in administrative expenses relate to staff employed in support office functions who support the daily operation of the nurseries.

3.21 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated Statement of Comprehensive Income is charged with the fair value of goods and services received.

Restricted Stock Units (RSUs) are recognised at their fair value which is the closing market price of the Company's common stock at the date of grant.

3.22 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

3. **ACCOUNTING POLICIES** *(continued)*

3.23 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out right short term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.24 Defined contribution plans

Contributions to the Group's defined contribution pension scheme are charged to the consolidated statement of comprehensive income in the year in which they become payable.

3.25 Business combinations

Business combinations are accounted for using the purchase method.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

3. ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination. If such expected future events do not occur, or the estimate needs to be revised, the cost of the business combination is adjusted accordingly. The unwinding of any discounting is recognised as a finance cost in profit or loss in the period it arises.

3.26 Judgements and key sources of estimation uncertainty

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are discussed below.

In preparing these financial statements, the directors have made the following judgements:

- Determine the length of the non cancellable period for which the Group has entered into the lease. These decisions are based on a number of options within the lease and whether or not the Group at the inception of the lease is reasonably certain that it intends to exercise these options.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill and amounts owed by group undertakings. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.
- Determine whether the fair value of the properties acquired is the price that would be received to sell the asset in an orderly transaction between market participants.
- Determine whether the acquired intangibles assets are identifiable in terms of being separable and arise from contractual or legal rights. This has been determined on a basis that reflects an amount that the group would have paid for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. If the fair value could not be measured reliably, the asset is not recognised as a separate intangible asset, but is included in goodwill.

3. ACCOUNTING POLICIES *(continued)*

3.26 Judgements and key sources of estimation uncertainty *(continued)*

Key assumptions include:

Investments (see note 13)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments held at a company level at the higher of value in use or fair values less cost to sell. When determining this the overriding concept is that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction.

Impairments of goodwill, tangible and intangible assets

During 2022 the Group assessed the need for potential asset impairments or write-downs.

In performing impairment review, we compare the fair value of the reporting unit with its carrying amount, including goodwill. Fair value for each reporting unit is determined by estimating the present value of expected future cash flows, which are forecasted for each of the next ten years, applying a long-term growth rate to the final year, discounted using the applicable discount rate. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not impaired. If the carrying amount of the reporting unit exceeds its fair value, we would recognise an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value, up to the amount of goodwill allocated to that reporting unit.

Goodwill cannot be allocated to each individual CGU (reporting unit) on a non-arbitrary basis and has therefore been tested for impairment by determining the recoverable amount of each Group of CGU's (reporting units).

We have reviewed tangible and intangible assets. Impairment is assessed by comparing the carrying amounts of the assets to the value in use calculated as undiscounted future cash flows over the assets remaining lives. If the estimated cash flows are less than the carrying amounts of the assets, an impairment loss is recognised to reduce the carrying amounts of the assets to its estimated fair value.

The discount rate used in impairment testing was 10.7%. No changes have been made to the key assumptions applied in managements impairment reviews during the year.

3. **ACCOUNTING POLICIES** *(continued)*

3.26 Judgements and key sources of estimation uncertainty *(continued)*

Discount rates

Management use a discount rate to discount onerous lease and dilapidation provisions to present value. This discount rate is risk-free because the associated cash flows are risk-adjusted. In 2022, the risk-free rate for measuring provisions was 4.72% (2021: 4.72%).

Long term growth rates

The management forecasts are extrapolated using a growth rate of 3% and assumptions relevant for the business sector and are based on industry research. Despite the impact of COVID-19, management still consider the long-term growth rate of 3% to be appropriate.

Dilapidation provisions

As part of the Group's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The dilapidation obligation is estimated at the start of the lease taking into account the centre capacity and the life of the lease, and then discounted to present value. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised as the leases terminate.

Onerous lease provisions

The group has provided for onerous lease contracts in respect of nurseries to the extent that the unavoidable cost of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the nurseries.

Where leasehold properties become vacant, the group provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease. This provision relates to a number of properties which are vacant or sublet. The provision is expected to be utilised over the life of the related leases.

Contingent consideration

The fair value of the contingent consideration is calculated using a real options model based on probability weighted outcomes of meeting certain future performance targets. The key inputs to the valuation are the projections of future financial results in relation to the business.

4. TURNOVER

Turnover arises from:

	2022	2021
	£000	£000
Parent revenue	235,587	219,385
Client revenue	27,721	23,715
	263,308	243,100

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

Included within turnover are amounts totalling £36.3m relating to early years childcare funding (2021: £37.8m).

5. OTHER OPERATING INCOME

	2022	2021
	£000	£000
Government grant income	–	833
Other operating income	138	–
	138	833

6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£000	£000
Amortisation of intangible assets	17,912	17,090
Depreciation of tangible assets	14,168	14,114
Impairment of intangible assets recognised in:		
Administrative expenses	13,800	–
Impairment of tangible assets recognised in:		
Administrative expenses	34	448
(Gains)/loss on disposal of tangible assets	(308)	365
Operating lease rentals	23,470	22,251
Fees payable for the audit of the financial statements	235	208
Share-based payments	1,535	902
Defined contribution pension cost	3,990	3,848

7. STAFF COSTS

The average number of persons employed by the group during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Nursery staff	6,849	7,283
Administrative staff	462	428
	7,311	7,711

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£000	£000
Wages and salaries	138,188	127,170
Social security costs	11,765	9,454
Other pension costs	3,990	3,848
	153,943	140,472

The company has no employees or staff costs (2021: £nil).

Directors' remuneration

One director, who is also the highest paid director, received emoluments during the current year totalling £417,014 (2021: £263,752).

There were no directors in the group's defined contribution pension scheme during the year. These contributions totalled £nil (2021: £nil).

Directors' costs are borne by Bright Horizons Family Solutions Limited and Bright Horizons Family Solutions Inc.

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£000	£000
Bank interest receivable	27	–

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£000	£000
Loans from group companies	25,017	24,105

Please refer to Note 16 for further information regarding interest bearing loans.

10. TAX ON LOSS

Major components of tax income

	2022	2021 *(restated)*
	£000	£000
Current tax:		
UK current tax income	5	1,214
Adjustments in respect of prior periods	336	(1,110)
Total current tax	341	104
Deferred tax:		
Origination and reversal of timing differences	(855)	(1,781)
Impact of change in tax rate	–	1,843
Adjustments in respect of prior periods	(474)	(422)
Total deferred tax	(1,329)	(360)
Tax on loss	(988)	(256)

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021 *(restated)*
	£000	£000
Loss on ordinary activities before taxation	(64,319)	(39,684)
Loss on ordinary activities by rate of tax	(12,245)	(7,540)
Adjustment to tax charge in respect of prior periods	(137)	(1,524)
Effect of expenses not deductible for tax purposes	6,300	7,378
Effect of capital allowances and depreciation	2,475	2,286
Effect of revenue exempt from tax	(896)	–
Effect of different UK tax rates on some earnings	204	(184)
Unused tax losses	(150)	565
Effect of interest expense not deductible due to UK anti-hybrid rules	4,753	–
Other differences	(1,563)	(923)
Other permanent differences	(10)	(207)
Other movements	–	(107)
Group relief surrendered	281	–
Tax on loss	(988)	(256)

Following the submission of the 2021 financial statements, the tax computation for 2021 has been updated to correct errors in respect of tax calculations related to capital allowance super deductions and the treatment of eligible and ineligible depreciation. In addition, the 2021 tax charge has been updated for the tax impact of the prior error correction described in note 17 and note 22.

10. TAX ON LOSS *(continued)*

During the year ended 31 December 2022, the Group recognised expenses of £6,300,000 which were not deductible for tax purposes. This relates to £2,500,000 of parent relationship amortisation and £3,800,000 of intercompany debt waived during the year which is deemed non-deductible.

Factors that may affect future tax income

For further information on deferred tax balances see note 18.

An increase to the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) has been enacted. Deferred tax balances have been calculated at the corporation tax rate of 25% (2021: 25%). This will also increase the Group's future current tax charge accordingly.

11. INTANGIBLE ASSETS

Group	Goodwill £000	Capitalised development costs £000	Trade names £000	Customer relationships £000	**Total £000**
Cost					
At 1 January 2022	317,239	1,589	3,067	23,799	345,694
Additions	1,089	–	–	90	1,179
Transfers	(80)	154	(30)	110	154
At 31 December 2022	318,248	1,743	3,037	23,999	347,027
Amortisation					
At 1 January 2022	111,526	1,334	2,782	17,107	132,749
Charge for the year	14,241	159	99	3,413	17,912
Transfers	–	27	–	–	27
Impairment losses	13,800	–	–	–	13,800
At 31 December 2022	139,567	1,520	2,881	20,520	164,488
Carrying amount					
At 31 December 2022	178,681	223	156	3,479	182,539
At 31 December 2021	205,713	255	285	6,692	212,945

The company has no intangible assets.

During the year ended 31 December 2022, the Group recognised an impairment loss of £13,800,000 (2021: £nil) related to three of its historic acquisitions - £9,800,000 related to the Saurus, £2,000,000 related to Zoom and £2,000,000 related to My Nursery acquisition. The impairment was triggered as a result of sustained losses realised in majority of the nurseries acquired as part of these acquisitions.

The estimated useful lives and key judgements for analysis of the intangible fixed assets are disclosed in note 3.

12. TANGIBLE ASSETS

Group	At 1 January 2022 £000	Additions £000	Disposals £000	Transfers between categories £000	At 31 December 2022 £000
Cost					
Freehold land and buildings	124,832	932	(1,025)	25	124,764
Leasehold land and buildings	78,861	2,532	(1,090)	2,215	82,518
Fixtures and fittings	24,951	1,398	(1,085)	31	25,295
Motor vehicles	63	–	(7)	–	56
Equipment	24,372	2,270	(2,104)	(29)	24,509
Assets in the course of construction	685	5,028	–	(2,408)	3,305
	253,764	12,160	(5,311)	(166)	260,447

	At 1 January 2022 £000	Charge for the year £000	Disposals £000	Transfers £000	Impairment losses £000	At 31 December 2022 £000
Depreciation						
Freehold land and buildings	16,429	2,544	(48)	–	–	18,925
Leasehold land and buildings	41,245	5,580	(921)	(19)	34	45,919
Fixtures and fittings	18,710	3,035	(990)	(9)	–	20,746
Motor vehicles	32	15	(4)	–	–	43
Equipment	17,621	2,994	(1,840)	–	–	18,775
	94,037	14,168	(3,803)	(28)	34	104,408

	At 31 December 2022 £000	At 31 December 2021 £000
Carrying amount		
Freehold land and buildings	105,839	108,403
Leasehold land and buildings	36,599	37,616
Fixtures and fittings	4,549	6,241
Motor vehicles	13	31
Equipment	5,734	6,751
Assets in the course of construction	3,305	685
	156,039	159,727

The company has no tangible assets.

12. TANGIBLE ASSETS *(continued)*

Freehold land totalling £55,060,000 (2021: £55,730,000) has not been depreciated due to land having an unlimited useful economic life.

13. INVESTMENTS

The group has no investments.

Company	**Investments in subsidiary companies £000**
Cost	
At 1 January 2022 and 31 December 2022	306,536
Impairment	
At 1 January 2022 and 31 December 2022	–
Carrying amount	
At 1 January 2022 and 31 December 2022	306,536
At 31 December 2021	306,536

Subsidiaries, associates and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Name	**Principal activity**	**Class of shares**	**Holding**
Direct subsidiary undertakings:			
BHFS Two Limited	Holding company	Ordinary	100%
Intermediate holding companies:			
Teddies Childcare Provision Limited *	Dormant	Ordinary	100%
Conchord Limited *	Holding company	Ordinary	100%
Yellow Dot Holdings Limited *	Holding company	Ordinary	100%
Magic Nursery Group Limited *	Holding company	Ordinary	100%
Trading subsidiary:			
Bright Horizons Family Solutions Limited	Nursery services	Ordinary	100%

All of the trading companies are held by the subsidiary holding companies. Asquith Nurseries Limited is a nursery services company which is an indirect subsidiary of Conchord Limited.

* The above companies and a number of their subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act. See note 30 for the companies to which this applies.

See note 32 for a full list of the company's subsidiaries.

14. DEBTORS

Debtors falling due within one year are as follows:

	Group		Company	
	2022	2021 *(restated)*	**2022**	2021
	£000	£000	**£000**	£000
Trade debtors	10,275	9,914	–	–
Amounts owed by group undertakings	–	–	4,408	4,408
Deferred tax asset	3,017	2,738	–	–
Prepayments and accrued income	7,142	7,670	–	–
Corporation tax repayable	2,141	2,233	–	–
Other debtors	2,537	1,154	–	–
	25,112	23,709	4,408	4,408

Debtors falling due after one year are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Other debtors	223	329	–	–

All amounts owed by group undertakings are non interest bearing, unsecured and not subject to any fixed repayment date. The debt is repayable on demand and therefore classified as due within one year.

Other debtors due in more than one year are in respect of rental deposits.

15. CREDITORS: amounts falling due within one year

	Group		Company	
	2022	2021 *(restated)*	**2022**	2021
	£000	£000	**£000**	£000
Trade creditors	2,356	2,335	–	–
Amounts owed to group undertakings	30,184	4,488	1,362	1,362
Accruals and deferred income	38,898	40,685	–	–
Social security and other taxes	9,303	8,021	–	–
Other creditors	2,081	18,450	–	–
	82,822	73,979	1,362	1,362

All amounts owed to group undertakings are non interest bearing, unsecured and not subject to any fixed repayment date. The debt is repayable on demand and therefore classified as due within one year.

Included within Accruals and deferred income is £3.9m of deferred income related to government funding (2021: £2.9m).

15. CREDITORS: amounts falling due within one year *(continued)*

Social security and other taxes

Included within Social security and other taxes is an estimation of VAT liability related to the incorrect application of VAT on certain backup care services and the reverse charge rule around supplies received from outside the UK.

The Group estimated the historic exposure going back four years to 2019 including interest and potential penalty and booked an accrual of £4,949,000 of which £1,890,000 related to 2022 VAT liability and was booked in current year Administrative expenses within the Consolidated Statement Of Comprehensive Income.

Included within the accrual as of 1 January 2022 is an amount of £3,059,000 related to the estimated VAT liability for 2019, 2020 and 2021 financial years.

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

	Group		*Company*	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts owed to parent undertaking	498,987	473,970	498,987	473,970
Accruals and deferred income	152	–	–	–
Other creditors	–	816	–	–
	499,139	474,786	498,987	473,970

Included within creditors: amounts falling due after more than one year is an amount of £498,987,000 (2021: £473,970,000) for the group and company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Amounts owed to parent undertaking of £498,987,000 (2021: £473,970,000) relates to loan notes payable to the ultimate parent undertaking. Cumulative accrued interest rolled up to date on these loan notes totals £205,894,000 (2021: £180,877,000), including £25,017,000 (2021: £23,806,000) relating to interest accrued in the current year. Both notes accrue interest at 5.28% per annum and are repayable on 31 December 2028.

Contingent consideration

On 1 February 2019 BHFS Two Limited acquired the shares of My Family Care Limited which included consideration of £15,000,000 contingent on achieving certain performance targets. On acquisition, the fair value of the contingent consideration was £10,400,000.

As of 31 December 2021, the fair value of the contingent consideration was £14,638,000.

In March 2022, the deferred consideration was settled in full for £14,500,000 with the remaining provision of £138,000 released to profit or loss.

17. PROVISIONS

Group

	Other provisions £000	Deferred tax (note 18) £000	Dilapidation provision £000	Onerous lease provision £000	**Total £000**
At 1 January 2022 (as restated)	1,200	6,542	4,321	2,301	14,364
Charges to profit or loss	–	–	148	(284)	(136)
Utilised in year	(800)	(1,123)	(541)	(831)	(3,295)
At 31 December 2022	400	5,419	3,928	1,186	10,933

The company does not have any provisions.

Tax

Following the submission of the 2021 financial statements, the tax computation for 2021 has been adjusted to reflect an additional capital allowances claim for super deductions. The deferred tax charge has also been updated for the impact of a review relating to the historic tax treatment of eligible and ineligible depreciation.

In addition, the 2021 tax charge has been updated for the tax impact of the above VAT prior period error. The total impact of the restatement was to reduce the deferred tax liability by £6,216,000.

Dilapidations provision

Some of the Group's property leasing arrangements contain a clause to repair damages incurred during the life the lease, such as wear and tear. The Group therefore recognises a dilapidation provision as such obligation arises. Dilapidation settlements are subject to negotiation and as such, there is an uncertainty with regards to the amount and timing of the cash outflow. The provision is expected to be utilised as the leases terminate. Dilapidation provisions are recognised within administrative expenses in the Consolidated Statement of Comprehensive Income.

Onerous lease provisions

The group has provided for onerous lease contracts in respect of nurseries to the extent that the unavoidable cost of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the nurseries.

Where leasehold properties become vacant, the company provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease. The provision is expect to be utilised over the life of the related leases. Onerous lease provisions are recognised within administrative expenses in the Consolidated Statement of Comprehensive Income.

18. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2022	2021 *(restated)*	**2022**	2021
	£000	£000	**£000**	£000
Included in debtors (note 14)	3,017	2,738	–	–
Included in provisions (note 17)	(5,419)	(6,542)	–	–
	(2,402)	(3,804)	–	–

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2022	2021 *(restated)*	**2022**	2021
	£000	£000	**£000**	£000
Accelerated capital allowances	2,877	3,054	–	–
Losses and other deductions	111	111	–	–
Short term timing differences	280	346	–	–
Capital gains	(6,485)	(6,180)	–	–
Intangible assets - parent relationships	815	(1,135)	–	–
	(2,402)	(3,804)	–	–

The group and company have unprovided deferred tax assets in respect of accrued loans interest of £3,914,000 (2021 restated: £4,049,000).

19. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in the consolidated statement of comprehensive income as an expense in relation to defined contribution plans was £3,990,000 (2021: £3,848,000).

There were amounts owing at the year end of £701,000 (2021: £661,000).

20. SHARE BASED PAYMENTS

The group operates an equity settled share based remuneration scheme for key employees and directors. The only vesting condition is that the individual remains an employee of the group over the five year vesting period. In addition the administrator will determine the time or times that an award will vest or become exercisable. Without limiting the forgoing, the administrator of the scheme can also accelerate the vesting or exercisability of the award.

20. SHARE BASED PAYMENTS *(continued)*

	2022 Number of shares	2022 Weighted average exercise price $	2021 Number of shares	2021 Weighted average exercise price $
Outstanding at the beginning of the year	145,775	$132.77	144,300	$118.90
Granted during the year	17,650	$127.36	48,425	$155.10
Exercised/released during the year	(2,700)	$82.47	(22,550)	$92.34
Cancelled/forfeited during the year	(15,475)	$134.29	(24,000)	$132.59
Expired during the year	(11,050)	$112.21	(400)	$122.44
Transferred	250	$132.77	-	$-
Outstanding at the end of the year	**134,450**	**$137.56**	145,775	$132.77

During the 12 months to 31 December 2022 the group issued 17,650 long term incentive options (2021: 48,425) to certain UK employees. These options will vest for 5 years from the grant date with the exercise price being the open market value at the time of issue.

Of the total number of options outstanding at the end of the year 34,680 (2021: 62,871) had vested and 2,700 (2021: 22,550) were exercised at the end of the year.

The number of options exercised during the year was 2,700 (2021: 22,550).

The number of options cancelled and forfeited during the year was 15,475 (2021: 24,000).

The number of options expired during the year was 11,050 (2021: 400).

The Black Scholes option pricing method was used to value the long term incentive option awards as it was considered that this approach would result in a materially accurate estimate of the fair value of the options granted. The volatility assumption, measured at the standard deviation of the expected share price returns, is based on a statistical analysis of daily share prices over the last five years of the parent company's stock.

Restricted Stock Units

In the year ended 31 December 2022, Restricted Stock Units (RSUs) were awarded to certain key employees and directors. RSUs generally vest within three years after the date of the award. The awards allow for the issuance of a share of the Company's common stock for each unit upon vesting. The fair value of restricted stock unit awards is the closing market price of the Company's common stock at the date of grant.

20. SHARE BASED PAYMENTS *(continued)*

The following table summarises the restricted stock unit activity under the Company's equity plan:

	2022 Number of shares
Outstanding at the beginning of the year	-
Granted during the year	26,676
Cancelled/forfeited during the year	(1,280)
Outstanding at the end of the year	**25,396**

The fair value of the share options and restricted stock units granted and recognised through profit or loss in the year was £1,534,695 (2021: £902,061).

21. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group 2022 £000	Group 2021 £000
Financial assets that are debt instruments measured at amortised cost	13,035	11,397
Cash at bank	3,154	3,922
	16,189	15,319

Financial liabilities measured at fair value through profit or loss

	Group		***Company***	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Financial liabilities measured at fair value through profit or loss	–	(14,638)	–	–

Financial liabilities measured at amortised cost

	Group 2022 £000	Group 2021 £000
Financial liabilities measured at amortised cost	(572,658)	(526,107)

21. FINANCIAL INSTRUMENTS *(continued)*

Financial assets measured at amortised cost comprise trade debtors, other debtors, accrued income and amounts due by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed by group undertakings. This does not include statutory liabilities being corporation tax and social security.

Financial liabilities measured at fair value comprise contingent consideration. Contingent consideration is measured at fair value based on the expected amounts payable, discounted at an appropriate market rate. Changes in the fair value are added to the cost of the business combination.

22. PRIOR PERIOD ERRORS

VAT

During the year ending 31 December 2022, the Group undertook a review of the policies and procedures around applying VAT. In 2023, the review concluded that VAT has been applied incorrectly on certain backup care services and reverse charge has not been charged correctly on supplies received from outside the UK. The error was reported to HM Revenue and Customs in May 2023.

The Group estimated the historic exposure going back four years to 2019 including interest and potential penalty and booked an accrual of £4,949k of which £1,890k related to 2022 VAT liability and was booked in current year Administrative expenses within the Statement Of Comprehensive Income.

Prior year comparatives have been restated as follows:

- £1,618k - relates to 2019 and 2020 VAT liability and recorded in opening Profit and Loss account as of 1 January 2021
- £1,441k - relates to 2021 VAT liability and recorded within Administrative expenses in 2021 Statement Of Comprehensive Income
- As a result of the above, a VAT accrual of £3,059k was recorded on 2021 Statement of Financial Position

Tax

Following the submission of the 2021 financial statements, the Group's tax computation for 2021 has been updated to correct errors in respect of tax calculations related to capital allowance super deductions and the treatment of eligible and ineligible depreciation.

Prior year comparatives have been restated as follows:

- £3,860k - relates to deferred tax movements prior to 2021 and was recorded in the opening Profit and Loss account as of 1 January 2021
- £2,356k - relates to 2021 deferred tax movements and was recorded within tax on loss in the 2021 Statement Of Comprehensive Income
- As a result of the above, the deferred tax liability recorded on 2021 Statement of Financial Position was reduced by £3,554k down to £6,542k and the deferred tax asset was increased by £2,662k to £2,738k.

22. PRIOR PERIOD ERRORS *(continued)*

Cash flow statement

In the prior year there was an error in respect of the classification of cash flows received from the Group's parent company. As the error was material, the 2021 comparative information in the Consolidated Statement of Cash Flows has been restated. The impact was to reduce cashflows from operating activities by £4,488k and increase cashflows from financing activities by £4,488k. The purpose of this loan was to support the business fund its working capital.

23. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2022		2021	
	No.	**£**	No.	£
Ordinary shares of £1 each	100	100	100	100

24. RESERVES

The group and company's capital and reserves are as follows:

Share capital - Called up share capital represents the nominal value of the shares issued.

Share premium - The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account - The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2022	Cash flows	Other non-cash changes	**At 31 Dec 2022**
	£000	£000	£000	**£000**
Cash at bank and in hand	3,922	(768)	–	3,154
Debt due after one year	(473,970)	-	(25,017)	(498,987)
	(470,048)	(768)	(25,017)	(495,833)

Non-cash movements relate to £25,017,000 interest accrued in current year relating to amounts owed to parent undertakings.

26. BUSINESS COMBINATIONS

Acquisition of Tiggywigs Limited

On 5 October 2022, Bright Horizons acquired Tiggywigs Limited for a consideration of £692,293. Tiggywigs Limited operates a nursery in Burgess Hill.

The fair value of consideration paid in relation to the acquisition of Tiggywigs Limited is as follows:

	£000
Cash	692

In calculating the goodwill arising on acquisition, the fair value of net assets have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the table below:

The fair value of amounts recognised at the acquisition date in relation to Tiggywigs Limited are as follows:

	Book value	***Fair value adjustment***	***Fair value***
	£000	£000	**£000**
Intangible assets acquired	–	90	90
Cash and cash equivalents acquired	123	–	123
Debtors falling due within one year	6	–	6
Creditors falling due within one year	(21)	–	(21)
Deferred tax	(16)	(36)	(52)
	92	54	146

The goodwill arising on acquisition is £546,000.

The cash outflows on acquisition were as follows:

	£000
Purchase consideration settled in cash, as above	692
Transaction costs	20
Less: Cash and cash equivalent acquired	(123)
Net cash outflow on acquisition	589

The trade and assets of Tiggywigs have been hived across into another fellow group company - Tinysaurus Nurseries Ltd on acquisition. For the period from acquisition to 31 December 2022, the business did not generate significant revenue or profit as the nursery was closed for refurbishment.

27. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	Group		**Company**	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Tangible assets	4,552	6,828	–	–

28. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Not later than 1 year	19,381	19,675	–	–
Later than 1 year and not later than 5 years	61,651	63,910	–	–
Later than 5 years	69,098	71,598	–	–
	150,130	155,183	–	–

29. RELATED PARTY TRANSACTIONS

Company

The company has taken advantage of the exemption conferred by Section 33.1A of FRS 102 not to disclose transactions with wholly owned subsidiaries of its parent undertaking Bright Horizons Family Solutions Inc.

Key management remuneration

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £2,542,775 (2021: £1,878,766).

30. POST BALANCE SHEET EVENTS

On 26 September 2023, Bright Horizons Family Solutions Inc, the ultimate controlling party provided funding to the group of £9.4m for operational activities.

31. CONTROLLING PARTY

The company's immediate parent undertaking is Bright Horizons Family Solutions LLC, a company incorporated in the United States of America. The company's ultimate controlling party is Bright Horizons Family Solutions Inc., which is the ultimate parent company.

The largest and smallest group in which the results of the company are consolidated is that headed by Bright Horizons Family Solutions Inc., incorporated in the United States of America. The consolidated accounts of this company are available to the public and may be obtained from The Secretary, Bright Horizons Family Solutions Inc., 2 Wells Avenue, Newton, Massachusetts, 02459, USA. No other group accounts include the results of the company.

32. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Acorndrift Limited *	Holding company	Ordinary	100%
Asquith Court Holdings Limited *	Holding company	Ordinary	100%
Acorndrive Limited *	Holding company	Ordinary	100%
Cheshire Plato LLP *	Holding company	Ordinary	100%
Chestnutbay Limited *	Holding company	Ordinary	100%
Chestnutbay AcquisitionCo Limited *	Holding company	Ordinary	100%
Goosebrook Limited *	Holding company	Ordinary	100%
Rivertide Day Nurseries Limited *	Holding company	Ordinary	100%
Yellow Dot Holdings Limited *	Holding company	Ordinary	100%
Magic Nursery Group Limited *	Holding company	Ordinary	100%
BHFS (Maidenhead) Limited *	Property development	Ordinary	100%
Asquith Nannies Limited *	Nursery services	Ordinary	100%
Asquith Nurseries Limited	Nursery services	Ordinary	100%
Asquith Nurseries Developments Limited *	Nursery services	Ordinary	100%
Allgold Investments Limited *	Nursery services	Ordinary	100%
Bobby's Playhouse Limited *	Nursery services	Ordinary	100%
Bishopbriggs Childcare Centre Limited *	Nursery services	Ordinary	100%
Four Seasons at Spectrum Limited *	Nursery services	Ordinary	100%
Four Seasons at Skypark Limited *	Nursery services	Ordinary	100%
Hickory House Children's Day Nursery Limited *	Nursery services	Ordinary	100%
Kinderstart Day Nurseries Limited *	Nursery services	Ordinary	100%
Kids 2 Us Limited *	Nursery services	Ordinary	100%
Muddy Puddles Childcare Limited *	Nursery services	Ordinary	100%
Norfolk Lodge School Limited *	Nursery services	Ordinary	100%
Pegasus Childcare Limited *	Nursery services	Ordinary	100%
Le Club Frere Jacques Limited *	Nursery services	Ordinary	100%
Yellow Dot (Ampfield) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Andover) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Chilworth) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Eastleigh) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Fair Oak) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Hedge End) Limited *	Nursery services	Ordinary	100%
Yellow Dot (North Baddesley) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Otterbourne) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Romsey) Limited *	Nursery services	Ordinary	100%
Yellow Dot (Winchester) Limited *	Nursery services	Ordinary	100%
Yellow Dot Limited *	Nursery services	Ordinary	100%
Zoom Nurseries (Blackheath) Limited *	Nursery services	Ordinary	100%
Zoom Nurseries (Brockley) Limited *	Nursery services	Ordinary	100%
Zoom Nurseries (Eltham) Limited *	Nursery services	Ordinary	100%
Zoom Nurseries Limited *	Nursery services	Ordinary	100%
Magic Daycare Nursery Limited *	Nursery services	Ordinary	100%
Magic Daycare Nursery (Finchley) Limited *	Nursery services	Ordinary	100%
Magic Nursery Muswell Hill Limited *	Nursery services	Ordinary	100%
My Family Care Limited *	Nursery services	Ordinary	100%
Poppetts Limited *	Nursery services	Ordinary	100%
Tinysaurus Nurseries Limited *	Nursery services	Ordinary	100%

32. SUBSIDIARY UNDERTAKINGS *(continued)*

Name	Principal activity	Class of shares	Holding
Rose Cottage Day Nursery Limited *	Nursery services	Ordinary	100%
Asquith Court Nurseries Limited	Dormant	Ordinary	100%
Casterbridge Nurseries Limited	Dormant	Ordinary	100%
Four Seasons Nurseries (Scotland) Limited	Dormant	Ordinary	100%
Kidsunlimited Group Limited	Dormant	Ordinary	100%
Kids Of Wilmslow Limited	Dormant	Ordinary	100%
Kidsunlimited Limited	Dormant	Ordinary	100%
Teddies Childcare Provision Limited	Dormant	Ordinary	100%
Teddies Nurseries Limited	Dormant	Ordinary	100%
Fran N Bru Limited	Dormant	Ordinary	100%
The Phoenix Day Nursery Limited	Dormant	Ordinary	100%
Westchester House Nursery Schools Limited	Dormant	Ordinary	100%
Tiggywigs Limited *	Dormant	Ordinary	100%

* The above subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

All subsidiaries of the Group have a registered address at Pioneer House, 7 Rushmills, Northampton, Northamptonshire, NN4 7YB.

On 17 January 2023 the following entities were dissolved:

Le Club Frere Jacques Limited
Casterbridge Nurseries Limited
Fran N Bru Limited