KinderCare Properties Limited

Directors' report and financial statements

31 May 1996
Registered number 2961549

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 1996.

Principal activity

The principal activity of the company is the construction and development of nursery buildings for lease.

Business review, results and dividends

A summary of the results for the year are shown on page 5. The directors consider the results satisfactory given the early stages of the company's development. The directors do not recommend the payment of a dividend *(1995:Nil)*.

Significant change in fixed assets

Details of movements in fixed assets are given in note 6 to the financial statements. The directors consider there is no significant difference between the book value of land and buildings held and their market value.

Directors and directors' interests

The directors who held office during the year are shown below:

Rebecca S Bryan (resigned 6 November 1997)	USA
Mark F Hoffman (resigned 6 November 1997)	USA
David Kedwards (resigned 26 August 1997)	
Philip L Maslowe (resigned 9 May 1997)	USA
Sandra W Scarr (resigned 13 February 1997)	USA
Becky de Tenley (appointed 26 August 1997)	
S Wray Hutchinson (appointed 6 November 1997)	USA
David J Johnson (appointed 13 February 1997)	USA

None of the directors who held office during the year had any disclosable interests in the shares of any group companies.

Donations

The company made no charitable or political contributions during the year.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of the auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Director

5/2/98

4th Floor
Acorn House
395 Midsummer Boulevard
Central Milton Keynes
MK9 3HP

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the company at the end of its financial year and of the profit or loss of the company for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

KPMG

Norfolk House
Silbury Boulevard
Central Milton Keynes
Buckinghamshire, MK9 2HA

Auditors' report to the members of KinderCare Properties Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

5 February 1998.

Profit and loss account

for the period from 3 June 1995 to 31 May 1996

	Note	**31 May 1996**	2 June 1995
		£	£
Administrative expenses		**28,606**	145,778
Loss on ordinary activities before taxation	*2*	**(28,606)**	(145,778)
Tax on loss on ordinary activities	*5*	-	-
Retained loss for the financial year		**(28,606)**	(145,778)
Retained loss brought forward		**(145,778)**	-
Retained loss carried forward		**(174,384)**	(145,778)

A statement of movement on reserves is given in note 11.

There were no acquisitions or disposals of activities during the year.

There were no recognised gains or losses during the year other than the retained loss shown above.

The notes on pages 7 to 10 form part of these financial statements.

Balance sheet
at 31 May 1996

	Notes	1996 £	1996 £	1995 £	1995 £
Fixed assets					
Tangible assets	6		**1,368,024**		853,354
Current assets					
Debtors	7	**22,919**		47,786	
Cash at bank and in hand		**107,585**		64,216	
		130,504		112,002	
Creditors: amounts falling due within one year	8	**(84,306)**		(11,438)	
Net current assets			**46,198**		100,564
Total assets less current liabilities			**1,414,222**		953,918
Creditors: amounts falling due after more than one year	9		**(488,910)**		-
			925,312		953,918
Capital and reserves					
Called up share capital	11		**1,001**		1,001
Share premium account	12		**1,098,695**		1,098,695
Profit and loss accounts	12		**(174,384)**		(145,778)
Shareholders' funds	13		**925,312**		953,918

The notes on pages 7 to 10 form part of these financial statements.

These financial statements were approved by the board of directors on and were signed on its behalf:

Director 5/2/98

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	-	40 years
Buildings under construction	-	-
Computer equipment	-	3 years
Fixtures and fittings	-	5 to 10 years
Other equipment	-	5 to 10 years

No depreciation is provided on freehold land.

Deferred taxation

Deferred taxation is provided under the liability method in respect of all material timing differences between the profits as computed for taxation purposes and the profits as stated in the financial statements, to the extent that it is probable that a liability or asset will crystallise. The rate of tax used is that which is expected to be applied when the liability or asset is expected to crystallise.

2 Loss on ordinary activities before taxation

	1996	1995
	£	£
This is stated after charging:		
Depreciation	**28,606**	2,232
Directors' emoluments (note 3)	-	18,179

3 Directors' emoluments

	1996	1995
	£	£
Management remuneration	-	18,179

Notes *(continued)*

4 Employee information

	1996	1995
	£	£
Staff costs:		
Wages and salaries	-	18,179
Social security costs	-	4,903
	-	23,082

There were no employees during the year apart from the directors.

5 Tax on loss on ordinary activities

There is no corporation tax payable in respect of the year *(1995:Nil)*.

6 Tangible fixed assets

	Land and buildings	Buildings under construction	Computer equipment	Fixtures and fittings	Other equipment	Total
	£	£	£	£	£	£
Cost:						
At 3 June 1995	726,340	-	28,665	13,336	87,245	855,586
Additions	408,970	144,945	-	-	-	553,915
Disposals	-	-	-	-	(10,639)	(10,639)
At 31 May 1996	1,135,310	144,945	28,665	13,336	76,606	1,398,862
Depreciation:						
At 3 June 1995	1,068	-	796	111	257	2,232
Provision for the year	14,629	-	9,554	1,334	3,089	28,606
At 31 May 1996	15,697	-	10,350	1,445	3,346	30,838
Net book value:						
At 31 May 1996	**1,119,613**	**144,945**	**18,315**	**11,891**	**73,260**	**1,368,024**
At 2 June 1995	725,272	-	27,869	13,225	86,988	853,354

7 Debtors

	1996	1995
	£	£
Other debtors	**22,919**	47,786

Notes *(continued)*

8 Creditors: amounts falling due within one year

	1996 £	1995 £
Trade creditors	**84,306**	-
Accruals and deferred income	-	11,438
	84,306	11,438

9 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Amount owed to parent company	**488,910**	-

10 Commitments

The company had the following annual commitments under operating leases:

	1996 Land and buildings £	1995 Land and buildings £
Expiring within two to five years	**4,200**	4,200

11 Called up share capital

	1996 £	1995 £
Authorised		
Equity shares:		
100,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
Equity shares:		
1,001 ordinary shares of £1 each	**1,001**	1,001

12 Reserves

	Share premium account £	Profit and loss account £
At 3 June 1995	**1,098,695**	(145,778)
Loss for the year	-	(28,606)
At 31 May 1996	**1,098,695**	(174,384)

Notes *(continued)*

13 Reconciliation of movement on shareholders' funds

	1996	1995
	£	£
Loss for the financial year	(28,606)	(145.778)
Proceeds from issue of shares	-	1.099,696
Net (depletion in)/addition to shareholders' funds	(28,606)	953,918
Opening shareholders' funds	953,918	-
Closing shareholders' funds	925,312	953,918

Shareholders' funds are fully attributable to equity interests.

14 Ultimate parent company

The company is a wholly owned subsidiary undertaking of KinderCare Learning Centres Limited, a company incorporated and operating in England. The ultimate parent company, KinderCare Learning Centers, Inc., is incorporated and operating in the United States of America. The accounts of KinderCare Learning Centres Limited are available from 4th Floor, Acorn House, 395 Midsummer Boulevard, Central Milton Keynes. The accounts of KinderCare Learning Centers, Inc. are publicly available from the Securities Exchange Commission of the United States of America.

15 Related parties

The company is a wholly owned subsidiary of KinderCare Learning Centres Limited and is therefore exempt from the requirement to disclose transactions with group companies under FRS8. No other transactions with related parties took place during the period.