

Company Registration No. 03229362

**Busy Bees Day Nurseries (Trading)
Limited**

Annual Report and Financial Statements

For the year ended 31 December 2018



Busy Bees Day Nurseries (Trading) Limited

Annual report and financial statements For the year ended 31 December 2018

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Busy Bees Day Nurseries (Trading) Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Business review and future developments

The company's principal activity is the provision of childcare services under the Busy Bees brand. The company is part of the Busy Bees group of companies ('the group').

Turnover for the year was £31,706,000 (2017: £28,338,000) and EBITDA (see below) was £7,049,000 (2017: £6,081,000). Profit for the financial year was £5,526,000 (2017: £17,883,000). The directors are satisfied with the financial position. Shareholder's funds were £118,457,000 at 31 December 2018 (2017: £112,931,000).

	2018 £'000	2017 £'000
Operating profit	5,490	14,057
<i>Less:</i>		
Profit on sale of fixed assets	-	(9,504)
<i>Add:</i>		
Depreciation on tangible fixed assets	1,559	1,528
EBITDA	<u>7,049</u>	<u>6,081</u>

Key performance indicators for Busy Bees Day Nurseries (Trading) Limited are places available and occupancy of those places. Average occupancy for the year ended 31 December 2018 was 2,442 full time equivalents (FTEs) (2017: 2,212 FTEs) on average places available of 3,708 FTEs (2017: 3,708 FTEs).

The directors expect the general level of activity to remain broadly the same in the coming year as increased cost pressures (e.g. due to the increases in the National Living Wage) offset increased income from fee increases and improvements in occupancy.

During the prior year, the company completed sale and leaseback transactions on 13 of its freehold and long leasehold properties. The group has entered into agreements to lease these properties back for 175 years, with an option to buy back at the end of this period. There were no such transactions in 2018.

Key risks

The directors manage the credit risk in the company by requiring the majority of the parents whose children attend the company's nurseries to pay in advance and by carefully managing receivables exposure on all parents. The directors have a policy of maintaining larger cash balances than are required for working capital purposes to provide a buffer against liquidity and recessionary risks. As a result of this policy and careful working capital management, the directors are able to ensure the company has excess liquidity and is well placed to pay any suppliers as they fall due. The directors monitor this policy through a review of weekly cash flow forecasts to ensure any future cash commitments can be comfortably met using the group's forecast cash reserves.

Aside from the key risks facing most businesses, for example those of reputation and competition and market change, the group, and therefore the company, considers its key risks to be as follows:

- health and safety for young children in relation to which the group has a dedicated compliance team that defines policy and procedure and closely monitors and reports compliance performance; and
- change of government policy and the implementation of policy at a local level including free entitlement funding. The group actively engages in a positive way with Government at a ministerial, civil service and local level and has a strong voice with each element of Government.

Busy Bees Day Nurseries (Trading) Limited

Strategic report (continued)

Going concern

In preparation of the financial statements, the directors have made an assessment of the company's ability to continue as a going concern.

The company's business activities, together with the factors likely to affect its future development, performance and position and its exposures to credit risk are set out above.

The company is financed through, but is not reliant on, an inter-company facility with Busy Bees Holdings Limited, its parent company, and there is an unlimited cross guarantee between the company and other group companies in respect of bank borrowings. The company

Based on the continuing occupancy levels, which have not been materially affected by the economic position, the directors have prepared detailed forecasts which show that the group is able to operate within its existing financing arrangements and is not expecting to breach any banking covenants within twelve months from the date of approval of the financial statements for the year ended 31 December 2018.

As such, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board of Directors and signed on their behalf of the Board:



M Muller
Director
19 September 2019

St Matthews
Shaftsbury Drive
Burntwood
Staffordshire
WS7 9QP

Busy Bees Day Nurseries (Trading) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018. Details of the directors' assessment of future developments, going concern and principal risks are set out in the strategic report.

Proposed dividend

The directors do not recommend payment of a final dividend (2017: £nil).

Post balance sheet events

As at the date of signing these accounts, there have been no post balance sheet events.

Directors

The directors who held office during the year and subsequently were as follows:

S Irons
M Randles
C Phizacklea
M Muller

Employees

The company pursues a policy of meeting with representatives of various sections of employees at which relevant information and developments are discussed. Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career developments and promotion.

Political contributions

During the year, there were no political donations (2017: £nil).

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



M Muller
Director
19 September 2019

St Matthews
Shaftsbury Drive
Burntwood
Staffordshire
WS7 9QP

Busy Bees Day Nurseries (Trading) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- 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.

Independent auditor's report to the members of Busy Bees Day Nurseries (Trading) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Busy Bees Day Nurseries (Trading) Limited (the 'company');

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of income and retained earnings;
- the balance sheet;
- the related notes 1 to 19.

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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Independent auditor's report to the members of Busy Bees Day Nurseries (Trading) Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

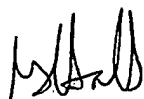
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 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 received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.



Andrew Halls, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

19/9/19

Busy Bees Day Nurseries (Trading) Limited

Profit and loss account

For the year ended 31 December 2018

	Note	2018 £ '000	2017 £ '000
Turnover	4	31,706	28,338
Cost of sales		(18,187)	(16,699)
Gross profit		13,519	11,639
Administrative expenses		(8,029)	(7,086)
Profit on sale of fixed assets		-	9,504
Operating profit	5	5,490	14,057
Interest receivable and similar income	8	-	5,300
Interest payable and similar expenses	9	-	(137)
Profit on before taxation		5,490	19,220
Tax on profit	10	36	(1,337)
Profit for the financial year		5,526	17,883

All amounts relate to continuing activities.

There are no items of other comprehensive income in either year other than those reflected in the profit and loss account. Accordingly, no separate statement of other comprehensive income is presented.

Statement of income and retained earnings

For the year ended 31 December 2018

	2018 £ '000	2017 £ '000
Retained earnings at the beginning of the year	59,710	41,827
Profit for the financial year	5,526	17,883
Retained earnings at the end of the year	65,236	59,710

The notes on pages 9 to 18 form part of these financial statements.

Busy Bees Day Nurseries (Trading) Limited

Balance sheet

As at 31 December 2018

	Note	2018 £ '000	2017 £ '000
Fixed assets			
Tangible assets	11	14,891	15,129
		<u>14,891</u>	<u>15,129</u>
Current assets			
Debtors	12	107,573	104,993
Cash at bank and in hand		902	1,171
		<u>108,475</u>	<u>106,164</u>
Creditors: amounts falling due within one year	13	(4,790)	(8,206)
Net current assets		<u>103,685</u>	<u>97,958</u>
Total assets less current liabilities		118,576	113,087
Provisions for liabilities	14	(119)	(156)
Net assets		<u>118,457</u>	<u>112,931</u>
Capital and reserves			
Called up share capital	15	17,383	17,383
Share premium		35,838	35,838
Profit and loss account		65,236	59,710
Total shareholder's funds		<u>118,457</u>	<u>112,931</u>

These financial statements of Busy Bees Day Nurseries (Trading) Limited (registered number 03229362) were approved by the board of directors and authorised for issue on 19 September 2019. They were signed on its behalf by:



M Muller
Director

The notes on pages 9 to 18 form part of these financial statements.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements For the year ended 31 December 2018

1. Basis of preparation

Busy Bees Day Nurseries (Trading) Limited (the company) is a company incorporated in England, United Kingdom under the Companies Act 2006.

The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on page 2.

These financial statements have been prepared under the historical cost basis of accounting, as modified to include certain items at fair value as at the date of transition to Financial Reporting Standard 102 ("FRS 102") as explained below, and in accordance with FRS 102 and with the Companies Act 2006.

The company meets the definition of a qualifying entity under FRS 102 and advantage has been taken of certain of the disclosure exemptions set out in paragraph 1.12 of that standard. Accordingly, the following disclosures have not been made in these financial statements:

- financial instruments as otherwise required by section 11 of FRS 102;
- a cash flow statement as otherwise required by section 7 of FRS 102; and
- key management personnel compensation as otherwise required by paragraph 33.7 of FRS 102.

Advantage has been taken of the following exemptions contained in section 35 of FRS 102:

- the company has adopted a previous GAAP revalued cost as deemed cost for freehold and long leasehold property; and
- the company has elected to determine whether arrangements contain a lease on the basis of facts and circumstances on the date of transition to FRS 102 rather than when the arrangements were first entered into.

Functional currency

The functional currency is pounds sterling as that is the currency of the economic environment in which the company operates.

2. Accounting policies

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

2. Accounting policies (continued)

Financial instruments (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

2. Accounting policies (continued)

Impairment of assets (continued)

Non-financial assets (continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Operating profit

Operating profit is defined as the profit for the period after all operating costs and income but before interest receivable and similar income, interest payable and similar charges and taxation. Operating profit is disclosed as a separate line on the face of the profit and loss account.

Related party transactions

The company is exempt from the requirements of section 33 of FRS 102 to disclose transactions with other wholly-owned group undertakings as its financial statements are included in the consolidated financial statements of a parent company whose financial statements are publically available.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold and long leasehold land and buildings	over 50 years with an expected residual value of 50%
Short leasehold improvements	over the period of the lease
Nursery and office equipment	over four to five years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

2. Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on straight-line basis over the lease term.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less than the value at which it is recognised, a deferred tax liability is recognised for the additional tax that will be paid in respect of that difference. Similarly, a deferred tax asset is recognised for the additional tax that will be avoided because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment carried at deemed cost is provided based on the difference between the accounts and tax base costs. Deferred tax assets and liabilities are offset only if the company has a legally enforceable right to set off current tax assets against current tax liabilities.

Intangible assets

Other intangible assets arising on the acquisition of subsidiary undertakings and businesses relate to customer databases and contracts and brand names. Deemed cost for these assets have been measured following income approach based on the estimated future income streams associated with the specific assets or business. The assets are capitalised and written off on a straight line basis over its useful economic life.

Pension costs

The company contributes to a number of money purchase pension schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension charge represents the amounts payable by the company to the schemes during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3. Accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from the sources. There were no critical accounting judgements in either the current or prior periods.

The estimates and associated assumptions relate to provisioning against receivables and recognition of grant income and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

The sale and leaseback transaction carried out during the prior year involves the legal form of a lease and is a critical accounting judgement. It is necessary to determine whether the associated transactions are linked and whether the arrangement meets the form of a lease under FRS 102. The directors have concluded based on the facts and circumstances that the sale and leaseback transaction does have the features of a lease arrangement and hence accounting as a sale and operating lease transaction is appropriate.

4. Turnover

Turnover represents the value of sales, excluding value added tax and is attributable to the company's principal activity and arises wholly within the United Kingdom. Nursery fees paid in advance are held in deferred income and only recognised in the period to which they relate. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

5. Operating profit

	2018 £ '000	2017 £ '000
Operating profit is stated after (crediting)/charging:		
Profit on disposal of fixed assets	-	(9,504)
Depreciation on tangible fixed assets	1,559	1,528
Hire of other assets – operating leases	20	20
Hire of land & buildings – operating leases	2,533	2,641

The fees payable to the company's auditor for the audit of the company's annual financial statements of £15,000 (2017: £14,000) and fees payable to the company's auditor and their associates for other services to the company of £nil (2017: £nil) were borne by another group company.

During the prior year, the company completed sale and leaseback transactions on 13 of its freehold and long leasehold properties. The group has entered into agreements to lease these properties back for 175 years, with an option to buy back at the end of this period. There were no such transactions in 2018.

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2018**

6. Staff numbers and costs

The average monthly number of persons employed during the year was:

	Number of employees	
	2018	2017
Administrative and management	73	73
Nursery staff	758	718
	<u>831</u>	<u>791</u>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£ '000	£ '000
Wages and salaries	15,069	13,853
Social security costs	884	790
Pension	127	66
	<u>16,080</u>	<u>14,709</u>

7. Directors' remuneration

	2018	2017
	£ '000	£ '000
Director's emoluments	75	58
Company contributions to money purchase schemes	1	1
	<u>76</u>	<u>59</u>

Retirement benefits are accruing to the following number of directors in office at the year end under money purchase schemes.

	2018	2017
Number of directors	<u>4</u>	<u>4</u>

The emoluments relate to two of the company's directors (2017 – two directors). The other directors were remunerated in the current and prior years by a fellow group company.

8. Interest receivable and similar income

	2018	2017
	£ '000	£ '000
Interest due from group undertaking	<u>-</u>	<u>5,300</u>

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2018**

9. Interest payable and similar expenses

	2018 £ '000	2017 £ '000
Interest due to group undertakings	-	137

10. Tax on profit

	2018 £ '000	2017 £ '000
Amounts falling due within one year:		
Current tax (see note below)		
Current tax on profit for the year	-	(1,944)
Adjustment in respect of previous periods	(1)	-
Total current tax charge	(1)	(1,944)
Deferred tax		
Origination and reversal of timing differences	47	692
Effect of change in rate of corporation tax	(5)	(81)
Adjustment in respect of previous periods	(5)	(4)
Total deferred tax (see note 14)	37	607
Tax credit/(charge)	36	(1,337)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £ '000	2017 £ '000
Profit before tax	5,490	19,220
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	(1,043)	(3,699)
Effect of:		
-Deferred tax not provided	(25)	738
-Disposals at nil gain nil loss	-	1,624
-Expenses not deductible for tax purposes	(41)	(21)
-Tax rate changes	(5)	(81)
-Group relief obtained for nil consideration	1,156	-
-Adjustments to tax charge in respect of previous periods	(6)	(4)
-Revaluations	-	106
Total tax credit/(charge) for the year	36	(1,337)

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

10. Tax on profit (continued)

Factors that may affect future tax charges

The standard rate of tax applied to the reported profit is 19.00% (2017: 19.25%).

The government has announced that the UK corporation tax rate will reduce to 17% by 1 April 2020. Reductions in the UK tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) were substantively enacted in September 2016. These reductions will further reduce the company's current tax charge.

The deferred tax balances at 31 December 2018 and 31 December 2017 have been calculated based on the rates that were substantively enacted at the balance sheet dates that will apply when the timing differences are expected to reverse. Accordingly, a rate of 17% has been used as at 31 December 2018 and 17% as at 31 December 2017.

At 31 December 2018 the company has no unrecognised trading losses (2017: £nil) available to offset against certain future profits.

11. Tangible fixed assets

	Freehold and long leasehold land and buildings £ '000	Short leasehold improve- ments £ '000	Nursery and office equipment £ '000	Total £ '000
Cost				
At 1 January 2018	11,698	2,367	6,788	20,853
Additions	-	-	1,321	1,321
Write off fully written down assets	-	-	(184)	(184)
At 31 December 2018	11,698	2,367	7,925	21,990
Accumulated depreciation				
At 1 January 2018	431	1,396	3,897	5,724
Charge for the year	189	72	1,298	1,559
Write off fully written down assets	-	-	(184)	(184)
At 31 December 2018	620	1,468	5,011	7,099
Net book value				
At 31 December 2018	11,078	899	2,914	14,891
At 31 December 2017	11,267	971	2,891	15,129

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

12. Debtors

	2018 £ '000	2017 £ '000
Amounts falling due within one year:		
Trade debtors	54	33
Amounts owed by group undertakings	106,614	104,108
Prepayments and accrued income	549	496
Other debtors	356	356
	<u>107,573</u>	<u>104,993</u>

There is no repayment date attached to the amount owed by group undertakings. There was no interest charged on the amounts owed by group undertakings (2017: 6.44%).

13. Creditors: amounts falling due within one year

	2018 £ '000	2017 £ '000
Trade creditors	800	586
Amounts owed to group undertakings	120	2,165
Corporation tax	-	1,944
Other taxes and social security	165	131
Other creditors	2,404	2,315
Accruals and deferred income	1,301	1,065
	<u>4,790</u>	<u>8,206</u>

There is no repayment date attached to the amount owed to group undertakings. There was no interest charged on the amounts owed to group undertakings (2017: 6.44%).

14. Provisions for liabilities

	Deferred taxation £ '000
At 1 January 2018	156
Credit to the profit and loss account for the year (note 10)	(37)
	<u>119</u>
At 31 December 2018	<u>119</u>

The deferred tax provision recognised at 17% (2017: 17%) is as follows:

	2018 £ '000	2017 £ '000
Difference between accumulated depreciation and capital allowances	138	181
Other short term timing differences	(19)	(25)
	<u>119</u>	<u>156</u>

Busy Bees Day Nurseries (Trading) Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

15. Called-up share capital

	2018 £'000	2017 £'000
Called-up, allotted and fully paid		
173,827,759 ordinary shares of £0.10 each	17,383	17,383

16. Commitments

- (a) The company had no capital commitments at 31 December 2018 (2017: £nil).
- (b) The company provides an unlimited cross guarantee to other group companies in respect of bank borrowings. Total group and company bank borrowings at 31 December 2018 are £511.5 million (2017: £411.5 million).
- (c) Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings £ '000	Other £ '000	Land and buildings £ '000	Other £ '000
Minimum lease payments due:				
- within one year	3,259	17	2,108	21
- between one and five years	13,037	49	8,434	79
- after five years	24,717	-	22,415	-
	<u>41,013</u>	<u>66</u>	<u>32,957</u>	<u>100</u>

17. Pensions

The group operates a money purchase scheme for the benefit of certain employees. Contributions are charged to the profit and loss account in the year to which they relate. The charge in the year was £127,000 (2017: £66,000).

18. Related party transactions

The company has taken the exemption available under FRS 102 not to disclose related party transactions with other 100% controlled members of the same group. There were no other related party transactions in the year.

19. Controlling parties

The company's immediate parent undertaking is Busy Bees Holdings Limited. The largest group into which the company is consolidated is the group headed by Eagle Superco Limited and the smallest group into which the company is consolidated is the group headed by Eagle Midco Limited. Busy Bees Holdings Limited, Eagle Superco Limited and Eagle Midco Limited are all incorporated in Great Britain and registered at St Matthews, Shaftsbury Drive, Burntwood, Staffordshire, WS7 9QP. The consolidated financial statements of Eagle Superco Limited can be obtained from the company's registered address above. The ultimate parent company is Eagle Superco Limited and the ultimate controlling party is the Ontario Teachers' Pension Plan incorporated in Canada, its registered address is 5650 Yonge Street, Toronto, Ontario, M2M 2H5.