

BHFS One Limited

Report and Financial Statements

Year Ended

31 December 2012

Company Number 03943330

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BHFS One Limited

Report and financial statements for the year ended 31 December 2012

Contents

Page:

1	Report of the directors
6	Independent auditor's report
8	Consolidated profit and loss account
9	Consolidated balance sheet
10	Company balance sheet
11	Consolidated cash flow statement
12	Notes forming part of the financial statements

Directors

E Boland
D Lissy
M A Tocio
S Dreier

Secretary and registered office

S Kramer, 2 Crown Court, Rushden, Northampton, NN10 6BS

Company number

03943330

Auditors

BDO LLP, Arcadia House, Maritime Walk, Ocean Village, Southampton, SO14 3TL

BHFS One Limited

Report of the directors for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012

Results and dividends

The profit and loss account is set out on page 8 and shows the profit for the year

The directors do not recommend the payment of a dividend

Principal activities, review of business and future developments

BHFS One Ltd is the primary holding company of BHFS Two Limited (collectively referred to herein as "Bright Horizons")

Bright Horizons is a leading provider of workplace childcare services for employers and families. Workplace childcare services include centre-based child care, education and enrichment programs, back-up care, before and after school care and holiday play schemes. Our workplace services cater primarily to working families and provide a number of services designed to meet the business objectives of employers and the family needs of their employees.

Our UK entities are wholly owned subsidiaries of our US based parent Bright Horizons Family Solutions LLC, a wholly owned subsidiary of Bright Horizons Family Solutions Inc. Our growth has been supported and funded in part by our US parent company hence we are carrying inter-company debt.

Bright Horizons has consistently been voted as one of the "UK's 50 Great Places to Work" being ranked 8th in 2013 whilst being placed 2nd in "Scotland's 25 Best Work Places 2013".

In the United Kingdom the Company presently operates 202 early care and education centres for 48 clients and has the capacity of 15,518 places across the whole of the UK.

In May 2012 the Group acquired the entire share capital and assets of the Casterbridge Group which operates 27 nurseries, principally in London and South-East England. The Group has commenced a programme of absorbing the operations into the Group and aligning the values and operating methods with those of Bright Horizons.

During 2012 we closed 12 centres.

Ofsted Inspection Results

2012 has been a very successful year for Bright Horizons. Inspection results in 2012 have exceeded the sector in terms of outstanding and good. In recent years inspections have shown that a Bright Horizons nursery is almost twice as likely to be rated as "Outstanding" compared to other providers.

Business Environment (Market)

The general economic environment remains challenging with no significant change expected in the coming year.

The added pressure felt by large employers to cut costs in order to remain competitive has resulted in them reviewing their workplace benefits, with some clients closing or restructuring their workplace nurseries.

Government pressure on councils to cut costs and work with less government funding than in previous years has impacted the childcare industry by reducing the level of funds and grants available. The Government's own direct funding into child care nurseries has also been reduced.

BHFS One Limited

Report of the directors for the year ended 31 December 2012 (continued)

Principal activities, review of business and future developments (continued)

Corporate Governance and obligations

Bright Horizons seeks to meet and exceed best practice in respect of its corporate governance obligations and compliance. There is a comprehensive mix of Boards who meet and report regularly, drawing on external expertise as appropriate.

Investors in Diversity

Bright Horizons is committed through a combination of training initiatives and positive action to create a work place where everyone feels included and valued.

Strategy

Bright Horizons' Group strategy is to continue to serve our children, families and clients by providing the highest quality of childcare and early years' education.

The Group continues to invest in its staff, premises and IT systems in order to deliver a world class service whilst seeking efficiencies without compromising standards.

The Group's objective is to continue to grow through a combination of organic growth and acquisitions which includes expanding our highly rated Back-Up Care Advantage (BUCA) programme. We are now providing adult in-home care as part of our BUCA offering.

There are no plans to alter the existing operation the company or its subsidiary undertakings in the future.

Key Performance Indicators ("KPI's")

	2012 £	2011 £
Revenue (£'000)	88,112	68,954
Number of centres as at 31 December	137	122
Number of places (average for the year)	9,869	7,657

Bright Horizons has continued to enjoy high levels of employee and parent satisfaction as measured in our annual employee engagement and parent and client satisfaction surveys.

We achieved 97% on the Employee Satisfaction Survey, 100% overall satisfaction score on our Client Survey and 97% on the 2013 Parent Satisfaction Survey.

Principal risks and uncertainties

The principal risks for the Bright Horizons group in the UK are:

1. General economic conditions in the UK which are affecting employment and consumer spending, both of which have an impact on the company's business as we principally serve working families and employers who have included on-site child care as a benefit to their employees.
2. Changes in legislation and government policy constantly pose a risk to the UK child care industry. Bright Horizons ensures it keeps up to date with all legislation and government changes to ensure full compliance at all times.

BHFS One Limited

Report of the directors for the year ended 31 December 2012 (continued)

Principal risks and uncertainties (continued)

Below we discuss the current issues impacting the Bright Horizons business

Child Care Act of 2006

The revised act presented the Company with many challenges and opportunities which Bright Horizons fully embraced

One of these areas is the requirement to "up skill" the workforce in the childcare sector

The risk to the business includes the costs of training current staff to the required levels, the increased costs of retaining qualified staff and the costs associated with recruiting suitably qualified staff in the future, in addition to the general business risk of finding an adequate overall supply of suitably qualified staff for our centres

Bright Horizons is fully committed to this requirement, continuously working to ensure we employ the highest calibre of staff to fulfil our mission, meeting our quality commitments to the children, families and clients we serve

During 2012 we increased our qualified workforce from 75% at the start of the year to 80% at the end of the year

The Early Years Foundation Stage (EYFS)

The Early Years Foundation Stage (EYFS) brings together Curriculum Guidance for the Foundation Stage (2000), the Birth to Three Matters (2002) framework and the National Standards for Under 8s Day-care and Childminding (2003), building a coherent and flexible approach to care and learning (EYFS is part of the Child Care Act of 2006)

All providers are required to comply with the EYFS to ensure that whatever setting parents choose, they can be confident that their child will receive a safe high quality experience that supports their development and learning

Following a review in 2011 the EYFS was revised and has been mandatory since 1 September 2012

Post balance sheet events

On the 10th April 2013, the Group acquired the entire share capital and assets of the Kidsunlimited Group of Wilmslow, Cheshire. At acquisition, Kidsunlimited operated 64 nurseries throughout England and Scotland, with 3 nurseries in development as well as a nursery voucher business

Charitable and political contributions

During the year the group made charitable contributions of £30,000. There were no political contributions

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled it is the Group's policy, wherever practical, to provide continuing employment under normal terms and conditions and to provide training and career development and promotions to disabled employees wherever appropriate

Employee involvement

During the year the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas

BHFS One Limited

Report of the directors for the year ended 31 December 2012 (continued)

Policy and practice on the payment of creditors

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

The number of average days purchases of the company represented by trade creditors at 31 December 2012 was 14 (2011 - 7)

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnities for the benefit of its directors which were made during the year and remain in force at the date of this report

Directors

The directors of the company during the year were

E Boland
D Lissy
M A Tocio
S Dreier

Directors' responsibilities

The directors are responsible for preparing the 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 group and company 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 company and of 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 (Jersey) Law 1991. 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.

BHFS One Limited

Report of the directors for the year ended 31 December 2012 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board


E Boland

Director

24/9/2013

BHFS One Limited

Independent auditor's report

To the member of BHFS One Limited

We have audited the financial statements of BHFS One Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

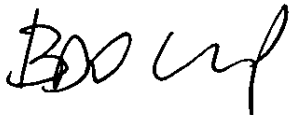
BHFS One Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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 received all the information and explanations we require for our audit



Malcolm Thixton (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

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

26/9/2013

BHFS One Limited

Consolidated profit and loss account for the year ended 31 December 2012

		Continuing operations			
	Note	2012	Acquisitions 2012	Total 2012	Total 2011
		£	£	£	£
Turnover	2	69,176,397	18,936,096	88,112,493	68,954,487
Cost of sales		33,959,136	8,270,869	42,230,005	36,577,094
Gross profit		35,217,261	10,665,227	45,882,488	32,377,393
Administrative expenses		30,527,799	7,825,173	38,352,972	28,322,607
Group operating profit	3	4,689,462	2,840,054	7,529,516	4,054,786
Other interest receivable and similar income				19,862	11,522
Interest payable and similar charges	6			(4,471,615)	(2,417,248)
Profit on ordinary activities before taxation				3,077,763	1,649,060
Taxation on profit on ordinary activities	7			1,814,643	1,392,638
Profit on ordinary activities after taxation				1,263,120	256,422

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 12 to 29 form part of these financial statements

BHFS One Limited

Consolidated balance sheet at 31 December 2012

<i>Company number 03943330</i>	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Intangible assets	9		43,998,031		16,016,607
Tangible assets	10		58,790,436		16,224,844
			<u>102,788,467</u>		<u>32,241,451</u>
Current assets					
Debtors	12	5,778,816		4,874,842	
Cash at bank and in hand		6,173,850		3,748,448	
		<u>11,952,666</u>		<u>8,623,290</u>	
Creditors amounts falling due within one year	13	14,539,039		12,774,325	
Net current liabilities			<u>(2,586,373)</u>		<u>(4,151,035)</u>
Total assets less current liabilities			<u>100,202,094</u>		<u>28,090,416</u>
Creditors: amounts falling due after more than one year	14	115,971,682		45,190,569	
Provisions for liabilities	15	290,055		222,610	
			<u>116,261,737</u>		<u>45,413,179</u>
			<u>(16,059,643)</u>		<u>(17,322,763)</u>
Capital and reserves					
Called up share capital	17		100		100
Share premium account	18		7,124,919		7,124,919
Profit and loss account	18		(23,184,662)		(24,447,782)
Shareholder's deficit	19		<u>(16,059,643)</u>		<u>(17,322,763)</u>

The financial statements were approved by the board of directors and authorised for issue on

24/9/2013


E Boland
Director

The notes on pages 12 to 29 form part of these financial statements

BHFS One Limited

Company balance sheet at 31 December 2012

<i>Company number 03943330</i>	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Fixed asset investments	11		1,359,950		1,359,950
Current assets					
Debtors	12	110,750,860		41,647,365	
Creditors: amounts falling due within one year	13	11,591,351		8,803,215	
Net current assets			99,159,509		32,844,150
Total assets less current liabilities			100,519,459		34,204,100
Creditors: amounts falling due after more than one year	14		115,946,098		45,164,985
			(15,426,639)		(10,960,885)
Capital and reserves					
Called up share capital	17		100		100
Share premium account	18		7,124,919		7,124,919
Profit and loss account	18		(22,551,658)		(18,085,904)
Shareholder's deficit	19		(15,426,639)		(10,960,885)

The financial statements were approved by the board of directors and authorised for issue on

24/9/2013

E Boland
Director

The notes on pages 12 to 29 form part of these financial statements.

BHFS One Limited

Consolidated cashflow statement for the year ended 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Net cash inflow from operating activities	25		8,475,231		9,085,642
Returns on investments and servicing of finance					
Interest received		19,862		11,522	
Interest paid bank loans		(5,861)		-	
		<u> </u>		<u> </u>	
Net cash inflow from returns on investments and servicing of finance			14,001		11,522
Taxation					
Corporation tax paid			(2,755,326)		655,356
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		-		(680,656)	
Payments to acquire tangible fixed assets		(3,280,695)		(2,160,944)	
Receipts from sale of tangible fixed assets		65,396		1,000	
		<u> </u>		<u> </u>	
Net cash outflow from capital expenditure and financial investment			(3,215,299)		(2,840,600)
Acquisitions and disposals					
Purchase of business operations		(70,427,589)		-	
Cash acquired on acquisition		1,819,014		-	
		<u> </u>		<u> </u>	
Net cash outflow from acquisitions and disposals			(68,608,575)		-
Cash (outflow)/inflow before use of financing			(66,089,968)		6,911,920
Financing					
New loans			68,515,370		-
Loans repaid			-		(8,800,000)
			<u> </u>		<u> </u>
Increase/(Decrease) in cash	26		2,425,402		(1,888,080)
			<u> </u>		<u> </u>

The notes on pages 12 to 29 form part of these financial statements

BHFS One Limited

Notes forming part of the financial statements for the year ended 31 December 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of BHFS One Limited and all of its subsidiary undertakings as at 31 December 2012 using the acquisition method of accounting. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition adjusted where appropriate to conform to group accounting policies. Goodwill arising on consolidation is written-off over its expected useful economic life.

Turnover

Turnover represents the value of sales, excluding value added tax and is attributable to the group's principal activities, and arises wholly within the United Kingdom. Turnover is recognised in line with performance based on attendance at the group's nurseries.

Goodwill

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which ranges from 5 to 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, such costs include costs directly attributable to making the asset capable of operations as intended.

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 on the following basis:

Freehold property	- 2.5% straight line
Freehold building improvements	- 10% or expected life of the asset whichever is the shortest
Leasehold property	- Over the term of the lease
Leasehold improvements	- Over 10 years or the remaining term of the lease whichever is the shortest
Motor vehicles	- 25% straight line
Fixtures and fittings	- 14% straight line
Equipment	- 10% - 33% straight line

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

BHFS One Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (*continued*)

1 Accounting policies (*continued*)

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that

- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Leased assets

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

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.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

BHFS One Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Government grants

The group administers various grants to external providers in childcare. The group retains the money in a separately designated bank account. Funds not paid over to third party recipients are included in other creditors.

Financial liability 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.

2 Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

3 Operating profit

	2012 £	2011 £
This is arrived at after charging		
Depreciation of tangible fixed assets	3,038,408	2,155,636
Amortisation of positive goodwill	2,547,845	1,674,409
Loss on disposal of tangible fixed assets	138,737	87,540
Hire of other assets - operating leases	4,842,451	4,261,140
Fees payable to the company's auditor for the auditing of the company's annual accounts	3,500	20,000
Fees payable to the company's auditor or an associate of the company's auditor for other services		
- the audit of the company's subsidiaries	76,500	39,000
- taxation compliance services	20,000	24,000
- other non-audit services	22,500	18,000
Impairment of leasehold property - charge	-	353,320

As shown in the table above, the fees for the year ending 31 December 2012 were paid to BDO LLP. The amounts for the year ending 31 December 2011 were paid to Rees Pollock Limited, the previous auditors.

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

4 Employees

Staff costs (including directors) consist of

	Group 2012 £	Group 2011 £
Wages and salaries	47,078,203	39,185,942
Social security costs	3,201,235	2,808,726
Other pension costs	1,800	881
	<u>50,281,238</u>	<u>41,995,549</u>

The average number of employees (including directors) during the year was as follows

	Group 2012 Number	Group 2011 Number
Administrative staff	174	110
Nursery nurses and assistants	3,600	2,366
	<u>3,774</u>	<u>2,476</u>

The company has no employees or staff costs

5 Directors' remuneration

No director received any emoluments during the current year (2011 - £Nil)

There were no directors in the group's defined contribution pension scheme during the year (2011 - nil)

All directors' costs are borne by Bright Horizons Family Solutions Inc

6 Interest payable and similar charges

	2012 £	2011 £
Bank loans and overdrafts	5,861	7,750
Loans from group companies	4,465,754	2,409,498
	<u>4,471,615</u>	<u>2,417,248</u>

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

7 Taxation on profit on ordinary activities

	2012 £	2011 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	1,750,229	1,389,423
Adjustment in respect of previous periods	(6,104)	3,215
	<hr/>	<hr/>
Total current tax	1,744,125	1,392,638
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	56,371	-
Adjustment in respect of previous periods	33,755	-
Affect of change in taxation rates	(19,608)	-
	<hr/>	<hr/>
Movement in deferred tax provision	70,518	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,814,643	1,392,638
	<hr/>	<hr/>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below.

	2012 £	2011 £
Profit on ordinary activities before tax	3,077,763	1,649,060
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011 - 26.0%)	754,052	428,756
Effect of		
Expenses not deductible for tax purposes	506,402	152,451
Capital allowances for period in (excess)/deficit of depreciation	(55,623)	272,042
Adjustment to tax charge in respect of previous periods	(7,597)	3,215
Other timing differences	64,396	185,974
Difference in corporation tax rate	(12,895)	16,821
Non-tax deductible amortisation of goodwill and impairment	495,390	418,833
Movement in general provisions	-	(85,454)
	<hr/>	<hr/>
Current tax charge for the year	1,744,125	1,392,638
	<hr/>	<hr/>

BHFS One Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

7 Taxation on profit on ordinary activities (continued)

In addition to the changes in rates of corporation tax disclosed above a number of changes to the UK Corporation tax system were announced in the March 2012 and March 2013 UK Budget Statements. The Finance Act 2012 (substantively enacted 3 July 2012 for accounting purposes) reduced the main rate of Corporation Tax by 1% per annum to 23% from 1 April 2013. The Finance Act 2013 reduced the main rate of Corporation Tax by a further 2% to 21% from 1 April 2014 and, in addition, the Government has announced that, from 1 April 2015, the CT main rate will be further reduced and unified with the small profits rate at 20%. These further changes had not been substantively enacted at the statement of financial position date and, therefore are not included in these financial statements.

8 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a loss after tax of £4,465,754 (2011 - £2,412,713) which is dealt with in the financial statements of the parent company.

9 Intangible fixed assets

Group

	Goodwill on consolidation £
<i>Cost or valuation</i>	
At 1 January 2012	34,479,739
Additions	30,529,269
	<hr/>
At 31 December 2012	65,009,008
	<hr/>
<i>Amortisation</i>	
At 1 January 2012	18,463,132
Provided for the year	2,547,845
	<hr/>
At 31 December 2012	21,010,977
	<hr/>
<i>Net book value</i>	
At 31 December 2012	43,998,031
	<hr/>
At 31 December 2011	16,016,607
	<hr/>

BHFS One Limited

Note forming part of the financial statements
for the year ended 31 December 2012 (continued)

10 Tangible fixed assets

Group

	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Equipment £	Assets in course of construction £	Total £
<i>Cost or valuation</i>							
At 1 January 2012	2,863,307	20,539,453	-	2,014,546	4,797,862	-	30,215,168
Additions	260,886	1,111,025	1,105	339,451	1,313,918	254,310	3,280,695
Acquisition of subsidiary	34,782,716	2,919,657	37,656	874,120	491,237	3,422,052	42,527,438
Disposals	-	(93,179)	(31,093)	(309,094)	(508,439)	(117,944)	(1,059,749)
Transfers	-	-	6,323	-	(6,323)	-	-
At 31 December 2012	37,906,909	24,476,956	13,991	2,919,023	6,088,255	3,558,418	74,963,552
<i>Depreciation</i>							
At 1 January 2012	435,213	8,790,758	-	1,321,940	3,442,413	-	13,990,324
Provided for the year	397,035	1,353,742	9,335	509,169	769,127	-	3,038,408
Disposals	-	(74,705)	-	(275,221)	(505,690)	-	(855,616)
At 31 December 2012	832,248	10,069,795	9,335	1,555,888	3,705,850	-	16,173,116

BHFS One Limited

Note forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

10 Tangible fixed assets (*continued*)

Group (*continued*)

	Freehold land and buildings £	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Equipment £	Assets in course of construction £	Total £
<i>Net book value</i>							
At 31 December 2012	37,074,661	14,407,161	4,656	1,363,135	2,382,405	3,558,418	58,790,436
At 31 December 2011	2,428,094	11,748,695	-	692,606	1,355,449	-	16,224,844

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

10 Tangible fixed assets (continued)

Freehold land totalling £13,756,575 (2011 £927,087) has not been depreciated

11 Fixed asset investments

Company

Cost or valuation

At 1 January 2012 and 31 December 2012

Group
undertakings
£

1,359,950

Subsidiary undertakings, associated undertakings and other investments

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

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Direct Subsidiary undertaking</i>			
BHFS Two Limited	England	100%	Holding company
<i>Intermediate holding companies</i>			
Teddies Childcare Provision Limited	England	100%	Intermediate holding company
Casterbridge Care and Education Group Limited	England	100%	Intermediate holding company
Huntyard Limited	Jersey	100%	Intermediate holding company
<i>Trading subsidiaries</i>			
Bright Horizons Family Solutions Limited	England	100%	Nursery services
Bright Horizons Livingston Limited	Scotland	100%	Nursery services
Teddies Nurseries Limited	England	100%	Dormant
Casterbridge Nurseries Limited	England	100%	Nursery services
Inglewood Day Nursery and College Limited	England	100%	Nursery services
Springfield Lodge Day Nursery (Dartford) Limited	England	100%	Nursery services
Springfield Lodge Day Nursery (Swanscombe) Limited	England	100%	Nursery services
Casterbridge Real Estate Limited	England	100%	Property company

All of the trading companies are held by the subsidiary holding companies

Details of the 17 dormant subsidiaries have not been provided as in the opinion of the directors the disclosures would be of excessive length

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

12 Debtors

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts receivable within one year				
Trade debtors	1,677,964	1,928,290	-	-
Amounts owed by group undertakings	1,809,801	1,260,798	110,750,860	41,647,365
Corporation tax recoverable	28,915	-	-	-
Other debtors	302,301	232,184	-	-
Prepayments and accrued income	1,669,293	1,224,774	-	-
	<u>5,488,274</u>	<u>4,646,046</u>	<u>110,750,860</u>	<u>41,647,365</u>
Amounts receivable after more than one year				
Other debtors - rental deposits	290,542	228,796	-	-
	<u>290,542</u>	<u>228,796</u>	<u>-</u>	<u>-</u>
Total debtors	<u>5,778,816</u>	<u>4,874,842</u>	<u>110,750,860</u>	<u>41,647,365</u>

13 Creditors amounts falling due within one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade creditors	1,157,275	370,966	-	-
Amounts owed to group undertakings	3,498,646	3,425,040	11,591,351	8,803,215
Corporation tax	-	979,213	-	-
Other taxation and social security	1,223,936	1,042,453	-	-
Other creditors	1,334,648	572,420	-	-
Accruals and deferred income	7,324,534	6,384,233	-	-
	<u>14,539,039</u>	<u>12,774,325</u>	<u>11,591,351</u>	<u>8,803,215</u>

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

14 Creditors. amounts falling due after more than one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts owed to parent undertaking	115,946,098	45,164,985	115,946,098	45,164,985
Accruals and deferred income	25,584	25,584	-	-
	<u>115,971,682</u>	<u>45,190,569</u>	<u>115,946,098</u>	<u>45,164,985</u>

Amount owed to parent undertaking includes £79,244,478 (2011 £24,799,122) of loan notes payable to the ultimate parent undertaking. Cumulative accrued interest rolled up to date on these loan notes totals £20,301,620 (2011 £18,165,863), including £4,472,388 (2011 £2,417,248) relating to interest accrued in the current year.

£1,000,000 of loan notes were repayable on 31 December 2012 and attract an interest rate of 8.75% pa. £23,799,122 of loan notes are repayable on 31 December 2015 and attract an interest rate of 7.75% pa.

During the year the company received loans totalling £68,515,371. Of this amount £52,115,371 is due for repayment on 30 June 2022 and incurs interest at 7.5%. The remaining £16,400,000 is interest free and has no set term for repayment at the current time.

All of the loan notes can be recalled by the parent prior to the repayment dates but they are classified as falling due after more than twelve months as the company has received written assurances that they will not be recalled within twelve months of the balance sheet date.

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

15 Provisions for liabilities

Group

	Deferred taxation £
At 1 January 2012	222,610
Charged to profit and loss account	67,445
	<hr/>
At 31 December 2012	290,055
	<hr/>

Deferred taxation

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Accelerated capital allowances	328,419	222,610	-	-
Sundry timing differences	(38,364)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	290,055	222,610	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The group and company have un-provided deferred tax assets in respect of accrued loan interest of £5,206,798 (2011 £3,574,654)

16 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £1,800 (2011 - £881). Contributions amounting to £Nil (2011 - £Nil) were payable to the fund.

17 Share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

18 Reserves

Group

	Share premium account £	Profit and loss account £
At 1 January 2012	7,124,919	(24,447,782)
Profit for the year	-	1,263,120
	<u>7,124,919</u>	<u>(23,184,662)</u>
At 31 December 2012	<u>7,124,919</u>	<u>(23,184,662)</u>

Company

	Share premium account £	Profit and loss account £
At 1 January 2012	7,124,919	(18,085,904)
Loss for the year	-	(4,465,754)
	<u>7,124,919</u>	<u>(22,551,658)</u>
At 31 December 2012	<u>7,124,919</u>	<u>(22,551,658)</u>

19 Reconciliation of movements in shareholder's deficit

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Profit/(loss) for the year	1,263,120	256,422	(4,465,754)	(2,412,713)
Opening shareholder's deficit	<u>(17,322,763)</u>	<u>(17,579,185)</u>	<u>(10,960,885)</u>	<u>(8,548,172)</u>
Closing shareholder's deficit	<u>(16,059,643)</u>	<u>(17,322,763)</u>	<u>(15,426,639)</u>	<u>(10,960,885)</u>

BHFS One Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

20 Acquisitions

Acquisition of Huntyard Limited group

On 23 May 2012 the group acquired Huntyard Limited group, for £70,427,589 paid by cash. This included the fees on acquisition.

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

	Book value £	Fair value on acquisition £	Fair value £
Fixed assets			
Tangible	61,114,777	(18,587,339)	42,527,438
Current assets			
Debtors	1,342,790	-	1,342,790
Cash at bank and in hand	1,819,014	-	1,819,014
Total assets	64,276,581	(18,587,339)	45,689,242
Creditors			
Due within one year	5,627,956	-	5,627,956
Due after one year	162,966	-	162,966
Net assets	58,485,659	(18,587,339)	39,898,320
			£
Cash consideration (including acquisition fees of £1,335,204)			70,427,589
Net assets acquired			39,898,320
Goodwill arising on acquisition			30,529,269

On acquisition the group has fair valued the tangible fixed assets which has resulted in the reduction of tangible fixed assets shown. The fair value decrease is solely attributable to a reduction in the fair value of the property portfolio within the Huntyard Limited group. This has been valued in accordance with FRS 7 "Fair Values in Acquisition Accounting" on a bricks and mortar basis.

This is an accounting policy adjustment aligning the accounting treatment to that of the BHFS One Limited group. Within the Huntyard Limited group assets acquired through business combinations the cost was determined as the fair value of the assets acquired, with the properties being fair valued using the value in use method.

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

20 Acquisitions (continued)

The results of Huntyard Limited group prior to its acquisition were as follows

Profit and loss account

	Current period up to acquisition £	12 months to 31 December 2011 £
Turnover	11,119,289	26,514,828
Operating profit	2,189,406	5,498,882
Net interest	(641,366)	(1,509,176)
Profit on ordinary activities before taxation	1,548,040	3,989,706
Taxation on profit from ordinary activities	423,155	1,246,694
Profit for the year	1,124,885	2,743,012

Cash flows

The net outflow of cash arising from the acquisition of Huntyard Limited group was as follows

	£
Cash consideration, as above	70,427,589
Cash acquired	(1,819,014)
Net outflow of cash	68,608,575

21 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £	Land and buildings 2011 £
Operating leases which expire		
Within one year	266,261	378,816
In two to five years	2,228,813	871,362
After five years	2,623,546	2,901,277
	5,118,620	4,151,455

BHFS One Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

21 Commitments under operating leases (continued)

22 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries

Related party transactions and balances

	Amounts owed by related parties £	Amounts owed to related parties £	Interest accrued £
2012			
Bright Horizons Family Solutions Ireland Limited	1,662,455	-	-
Bright Horizons Family Solutions India	146,957	-	-
Bright Horizons Solutions Inc	-	119,444,744	4,465,754
	<u> </u>	<u> </u>	<u> </u>
2011			
Bright Horizons Family Solutions Ireland Limited	1,184,384	-	-
Bright Horizons Family Solutions India	76,414	-	-
Bright Horizons Solutions Inc	-	48,590,025	2,417,248
	<u> </u>	<u> </u>	<u> </u>

Bright Horizons Family Solutions Ireland Limited and Bright Horizons Family Solutions India are both under common control

23 Ultimate parent company and controlling party

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 200 Talcott Avenue South, Watertown, MA 02472, USA. No other group accounts include the results of the company.

24 Post balance sheet events

On the 10th April 2013, the Group acquired the entire share capital and assets of the Kidsunlimited Group of Wilmslow, Cheshire.

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

25 Reconciliation of operating profit to net cash inflow from operating activities

	2012 £	2011 £
Operating profit	7,529,516	4,054,786
Amortisation of intangible fixed assets	2,547,845	1,674,409
Depreciation of tangible fixed assets	3,038,408	2,155,636
Loss on sale of tangible fixed assets	138,737	87,540
Decrease/(increase) in debtors	467,731	(442,519)
(Decrease)/increase in creditors	(5,247,006)	1,202,470
impairment of fixed assets	-	353,320
	<hr/>	<hr/>
Net cash inflow from operating activities	8,475,231	9,085,642
	<hr/>	<hr/>

26 Reconciliation of net cash flow to movement in net debt

	2012 £	2011 £
Increase/(decrease) in cash	2,425,402	(1,888,080)
Cash (outflow)/inflow from changes in debt	(68,515,370)	8,800,000
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	(66,089,968)	6,911,920
Other non-cash changes	(2,265,743)	(2,417,248)
	<hr/>	<hr/>
Movement in net debt	(68,355,711)	4,494,672
Opening net debt	(41,416,537)	(45,911,209)
	<hr/>	<hr/>
Closing net debt	(109,772,248)	(41,416,537)
	<hr/>	<hr/>

BHFS One Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

27 Analysis of net debt

	At 1 January 2012 £	Cash flow £	Other non- cash items £	At 31 December 2012 £
Cash at bank and in hand	3,748,448	2,425,402	-	6,173,850
Debt due after one year	(45,164,985)	(68,515,370)	(2,265,743)	(115,946,098)
Total	(41,416,537)	(66,089,968)	(2,265,743)	(109,772,248)

Other non-cash items relates to the roll up of loan note interest

Amounts owed to the parent undertaking are deemed to be debt to the BHFS One Limited group, all other amounts due by and from group undertakings arise as a result of trading and therefore not shown within the above