Company Registration No. 4210086

KIDSUNLIMITED LIMITED

Report and Financial Statements

30 April 2007

REPORT AND FINANCIAL STATEMENTS 2007

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REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Graham Smith	
Christopher Winstanley	(resigned 17 November 2006)
Lee Pearson	(apppointed 9 May 2007)
Stewart Pickering	
Adam Holloway	

SECRETARY

Lee Pearson	(appointed 14 August 2006)
Shane Arnold	(resigned 14 August 2006)

REGISTERED OFFICE

Summerfields Village Centre
Dean Row Road
Wilmslow
Cheshire
SK9 2TA

BANKERS

HBOS plc
Telford House
3 Mid New Cultins
Edinburgh
EH11 4DH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester
United Kingdom

KIDSUNLIMITED LIMITED

CHAIRMAN'S STATEMENT

The results for the year ending 30 April 2007 show turnover growth of 16% (£23,616,456 to £27,369,365) and EBITDA of £931,476 compared to an equivalent of £318,885 in 2006

Our majority shareholder, ISIS Equity Partners, provide funding for the business through interest bearing long term loans In the current financial year, this resulted in an interest charge for the loans of £457,299 (2006 £985,515) In addition, the company paid interest on bank loans of £369,312 (2006 £351,696) After charging these amounts of interest plus depreciation and amortisation of £1,387,704 (2006 £1,221,776) and exceptionals of £350,000 (2006 £nil) the company reported a loss before tax of £1,607,827 compared to a loss of £1,952,488 in 2006

As in previous years, our balance sheet includes our portfolio of nurseries at cost However, the market value of these assets is considerably in excess of book value If these values were incorporated into the Balance Sheet and the £8 9m of shareholder loans recognised as quasi equity, it would transform the Balance Sheet and result in positive shareholder funding and reserves

During the year the Group opened four new sites at Watford, North Cheam, Wandsworth and Oxford and also acquired a nursery in Leeds There are a number of further new openings in the pipeline and the Group expects to open a similar number of sites in the financial year to 30 April 2008 These transactions have increased the total number of registered places to 4,802 in 52 nurseries

What the above figures do not show is the dramatic improvement in the performance of the business during the last 6 months After adjusting for one-off costs, the company has generated an annualised run-rate EBITDA of circa £3 million for the six months ending 30 April 2007 This trend has continued in the first seven months of the new financial year

The financial year ended 30 April 2008 will be the first for over 10 years when we anticipate that the group will report a profit before tax, which is a very encouraging achievement given that we are continuing to see start up losses in developing our estate

Kidsunlimited has been involved in childcare for over twenty five years During that this, it has built up a wealth of employee experience I would like to thank those employees who have contributed to the Group's success to date and whose support Kidsunlimited depends on in the future

Graham Smith

12th Dec 2007

DIRECTORS' REPORT

The directors submit their report and the consolidated financial statements for the year ended 30 April 2007

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,609,236 (2005 - £1,952,488)

BUSINESS REVIEW & PRINCIPAL ACTIVITIES

The principal activity of the company during the year was a holding company The principal activity of the group during the year was the provision of childcare facilities through a network of 52 (2006 47) nurseries across the UK There have not been any changes to the company's principal activities in the year under review The directors are not aware at the date of this report, of any likely major changes in the company's activities in the next year

As shown in the consolidated profit and loss account, the group's sales have increased by 16% over the prior year

The balance sheet shows that the group's financial position has worsened on the prior year due to decreased debtors and increased borrowings

Rigorous controls have been implemented to ensure invoiced turnover is collected – invoices are checked by the nursery manager before being passed to the bill payer 10 days before the month to which they relate Debt reports are run against each child 3 times per month Bill payers are contacted regularly and promptly

There have been no significant events since the balance sheet date

Each nursery is managed against a suite of key performance indicators including weekly gross and net occupancy, turnover, adjustments to turnover, cash collected, staff costs and overheads

In the year, the group acquired Tadpoles Nurseries Limited Details of the acquisition are shown in note 24

PRINCIPAL RISKS AND UNCERTAINTIES

The company's turnover is spread across 52 sites reducing risks All service level agreements with corporate clients have been met and the directors are not aware, at the date of the report, of any likely major changes to corporate relationships

The company only trades in the United Kingdom and therefore has no foreign exchange risk exposure

The company is financed by third party debt and is exposed to interest rate risks

DIRECTORS

The directors who served during the year and their interests in the shares of the company are disclosed below

		Ordinary shares of 1p each	
		2007	**2006**
Stewart Pickering		1,340,353	1,340,353
Graham Smith		1,400,000	1,400,000
Adam Holloway		-	-
Christopher Winstanley	(resigned 17 November 2006)	750,000	750,000

EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF DISABLED PERSONS

It is the company's policy to ensure that its employees are kept fully informed on matters which effect them in order to provide the necessary understanding of the company's aims The company communicates on a regular basis with its employees, and provides training and career development at all levels It does not discriminate against current or potential staff on any grounds, and fully recognises all relevant employee legislation

DIRECTORS' REPORT (continued)

AUDITORS

Each of the directors 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 auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to reappoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting

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

Secretary

12December 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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) The financial statements are required by law to give a true and fair view of the state of affairs of the group and company as at the end of the financial year and of the profit or loss of the group for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group or 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 group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIDSUNLIMITED LIMITED

We have audited the group and parent company financial statements of Kidsunlimited Limited for the year ended 30 April 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 27 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors' 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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report, as described in the contents section, and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 April 2007 of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom

12 December 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
30 April 2007

	Note	2007 £	2006 £
TURNOVER	2	27,369,365	23,616,456
Cost of sales		(22,655,631)	(19,015,304)
GROSS PROFIT		4,713,734	4,601,152
Administrative expenses before depreciation, amortisation and exceptional items		(3,782,258)	(4,282,267)
Earnings before interest, taxation, depreciation, amortisation and exceptional items		931,476	318,885
Administrative expenses – depreciation and amortisation		(1,387,704)	(1,221,776)
Administrative expenses – exceptional restructuring costs	3	(350,000)	-
Total administrative expenses		(5,519,962)	(5,504,043)
OPERATING LOSS	3	(806,228)	(902,891)
Profit on disposal of fixed assets		-	283,661
LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES AND TAXATION		(806,228)	(619,230)
Interest payable and similar charges	6	(826,611)	(1,337,211)
Interest receivable and similar income - bank interest		25,012	3,953
LOSS FOR THE FINANCIAL YEAR BEFORE TAXATION		(1,607,827)	(1,952,488)
Taxation	7	(1,409)	-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	18,19	(1,609,236)	(1,952,488)

There were no recognised gains or losses for the year other than those included in the profit and loss account and accordingly no separate statement of total recognised gains and losses is presented

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis

All activities derive from continuing operations

CONSOLIDATED BALANCE SHEET
30 April 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Intangible assets	8		2,400,157		2,565,428
Tangible assets	9		5,603,500		5,458,667
			8,003,657		8,024,095
CURRENT ASSETS					
Stocks	11	29,265		27,532	
Debtors	12	1,138,527		1,301,305	
Cash at bank and in hand		704,166		-	
		1,871,958		1,328,837	
CREDITORS: amounts falling due within one year	13	(9,936,155)		(8,318,558)	
NET CURRENT LIABILITIES			(8,064,197)		(6,989,721)
TOTAL ASSETS LESS CURRENT LIABILITIES			(60,540)		1,034,374
CREDITORS· amounts falling due after more than one year					
Other creditors			(122,000)		(122,000)
Shareholder loans	16		(8,895,141)		(8,380,819)
Deferred shares			(65,284)		(65,284)
			(9,082,425)		(8,568,103)
NET LIABILITIES			(9,142,965)		(7,533,729)
CAPITAL AND RESERVES					
Called up share capital	17	55,596		55,596	
Share premium account	18	529,392		529,392	
Profit and loss account deficit	18	(9,727,953)		(8,118,717)	
EQUITY SHAREHOLDERS' DEFICIT	19		(9,142,965)		(7,533,729)

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Director

COMPANY BALANCE SHEET
30 April 2007

	Note	2007 £	2007 £	2006 £	2006 £
FIXED ASSETS					
Investments	10		5,859,600		5,479,600
CURRENT ASSETS					
Debtors	12	2,880,559		3,635,023	
CREDITORS: amounts falling due within one year	13	(4,374,452)		(4,422,719)	
NET CURRENT LIABILITIES			(1,493,893)		(787,696)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,365,707		4,691,904
CREDITORS: amounts falling due after more than one year					
Shareholder loans	16		(8,895,141)		(8,380,819)
Deferred shares	17		(65,284)		(65,284)
			(8,960,425)		(8,446,103)
NET LIABILITIES			(4,594,718)		(3,754,199)
CAPITAL AND RESERVES					
Called up share capital	17	55,596		55,596	
Share premium account	18	529,392		529,392	
Profit and loss account	18	(5,179,706)		(4,339,187)	
SHAREHOLDERS' DEFICIT			(4,594,718)		(3,754,199)

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 April 2007

	Note	2007 £	2006 £
CASH FLOW STATEMENT			
Net cash inflow from operating activities	(i)	2,565,583	120,799
Return on investments and servicing of finance	20	(344,300)	(272,613)
Taxation		-	-
Capital expenditure and financial investment	20	(998,455)	(682,487)
Cash flow before financing		1,222,828	(834,301)
Financing	20	(489,647)	709,910
Increase/(decrease) in cash		733,181	(124,392)

(i) Reconciliation of operating loss to net cash inflow from operating activities		
Operating loss	(806,228)	(902,891)
Amortisation of intangible assets	165,271	165,271
Amortisation of loan issue costs	68,814	11,790
Depreciation of tangible fixed assets	1,222,433	1,056,505
Decrease in debtors	162,778	885,975
Increase in stocks	(1,733)	(3,709)
Increase/(decrease) in creditors	1,722,643	(1,092,142)
Profit on sale of fixed assets	31,605	-
Net cash inflow from operating activities	2,565,583	120,799

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
Year ended 30 April 2007

	2007 £	2006 £
(Increase)/decrease in cash in year	(733,181)	124,391
Cash (outflow)/inflow from (decrease)/increase in debt	(89,231)	709,910
Change in net debt resulting from cashflows	(822,412)	834,301
Accrual of finance charges	526,113	1,072,435
(Decrease)/increase in net debt	(296,299)	1,906,736
Net debt at 1 May	12,861,726	10,954,990
Net debt at 30 April (Note 21)	12,565,427	12,861,726

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention The particular accounting policies adopted by the directors are described below

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") is a measure commonly used in a number of business sectors that are similar to that in which Kidsunlimited operates Consequently the statutory format of the profit and loss account has been varied, in accordance with the provisions of the Companies Act 1985, as the Directors consider that presenting EBITDA enhances understanding of the Group's operating results

Basis of consolidation

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 30 April 2007

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985 The loss for the financial year of the parent company was £840,519 (2006 - £1,355,264)

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax, where applicable, and trade discounts

Intangible fixed assets

Intangible fixed assets are stated at cost or valuation less amortisation Amortisation is provided at rates calculated to write off the cost or valuation of intangible fixed assets less their estimated residual value, over their expected useful lives on the following bases

Trademarks	20 years
Goodwill	20 years

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation Depreciation is provided at rates as applied in the financial statements of subsidiary undertakings, calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold land and buildings	Over the life of the lease
Fixtures, fittings, tools and equipment	10% - 33% straight line
Motor vehicles	25% straight line

Freehold land is not depreciated

Capital instruments

Capital instruments are accounted for in accordance with FRS 4 Finance costs are allocated to the profit and loss account over the term of the debt at a constant rate of return Loan balances are stated at net proceeds and issue costs are charged to the profit and loss account over the period of the loan at a constant rate of return

Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

1. **ACCOUNTING POLICIES (continued)**

Stocks and work in progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable overheads

Grants

Grants that are received as a contribution to capital expenditure are released to the profit and loss account over the life of the related asset Grants received as a contribution to the employment and training of employees are recognised in the profit and loss account in the period in which the grant is receivable

Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Pension costs

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year

2. **TURNOVER**

Turnover is attributable to one class of business

All turnover arose within the United Kingdom

3. **OPERATING LOSS**

	2007 £	2006 £
Operating loss is stated after charging/(crediting)		
Amortisation of intangible assets	165,271	165,271
Depreciation of tangible fixed assets		
- owned by the group	1,222,433	958,610
- held under finance lease or hire purchase contracts	-	97,895
Audit fees for the audit of the company's annual accounts	33,000	32,175
Auditors' remuneration – taxation services	8,400	7,400
Exceptional restructuring costs	350,000	-
Operating lease rentals		
- plant and machinery	54,618	47,429
- nursery premises	3,615,552	2,707,318
Grant income	(232,869)	(290,197)

The exceptional costs relate to redundancy payments made as part of the management restructuring

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007	2006
	£	£
Directors' emoluments	230,378	263,205
Contributions to money purchase pension schemes	-	6,688
Compensation for loss of office	81,765	-
	312,143	269,893

The number of directors accruing benefits under pension schemes were	No	No
Money purchase schemes	-	1

	£	£
The highest paid director received emoluments and benefits as follows		
Emoluments and benefits under long term incentive schemes	111,359	133,750
Contributions to money purchase pension schemes	-	6,688
	111,359	140,438

5. STAFF COSTS

	2007	2006
	£	£
Staff costs, including directors' emoluments, were as follows		
Wages and salaries	16,010,484	13,841,026
Social security costs	838,743	778,677
Pension costs	120,079	130,165
	16,969,306	14,749,868

The group's average monthly number of employees, including directors, during the year was

	2007	2006
	No	No
Administration	68	50
Nursery staff	1,415	1,323
	1,483	1,373

The company had no employees at the year end (2006 same)

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank loans and overdrafts	369,312	351,696
Other loans	457,299	985,515
	826,611	1,337,211

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

7 TAXATION

Analysis of charge in year:

	2007 £	2006 £
Current tax		
UK corporation tax	1,409	-
Tax on profit on ordinary activities	1,409	-

Factors affecting tax charge for the period.

There is no tax charge in the current or prior year The difference between the nil charge and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2007 £	2006 £
Loss on ordinary activities before tax	(1,607,827)	(1,952,488)
Loss on ordinary activities multiplied by standard rate of tax in the UK of 30% (2006 30%)	(482,348)	(585,746)
Effects of		
Expenses not deductible for tax purposes	104,766	176,903
Capital allowances in excess of depreciation	31,263	250,924
Trading losses carried forward	-	(169,836)
Movement in short term timing differences	154,296	332,609
Goodwill adjustment	49,425	49,344
Profit on disposal of non-qualifying assets	103,469	(85,098)
Chargeable gains	-	-
Other deferred tax movements	40,538	30,900
	1,409	-

Deferred tax assets have not been recognised to 30 April 2006 as it is not anticipated that tax losses will be utilised in the foreseeable future The amount of the asset not recognised is £2,011,945 (2006 - £1,781,869)

8. INTANGIBLE FIXED ASSETS

Group	Trademarks £	Goodwill £	Total £
Cost			
At 1 May 2006 and 30 April 2007	10,437	3,294,982	3,305,419
Amortisation			
At 1 May 2006	2,598	737,393	739,991
Charge for the year	522	164,749	165,271
At 30 April 2007	3,120	902,142	905,262
Net book value			
At 30 April 2007	7,317	2,392,840	2,400,157
At 30 April 2006	7,839	2,557,589	2,565,428

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

9. TANGIBLE FIXED ASSETS

Group	Leasehold land and buildings £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 May 2006	2,162,154	71,256	7,745,248	9,978,658
Additions	1,198,842	-	950,029	2,148,871
Disposals	(780,415)	(11,400)	-	(791,815)
At 30 April 2007	2,580,581	59,856	8,695,277	11,335,714
Accumulated depreciation				
At 1 May 2006	589,741	57,277	3,872,973	4,519,991
Charge for the year	134,216	6,125	1,082,092	1,222,433
Disposals	-	(10,210)	-	(10,210)
At 30 April 2007	723,957	53,192	4,955,065	5,732,214
Net book value				
At 30 April 2007	1,856,624	6,664	3,740,212	5,603,500
At 30 April 2006	1,572,413	13,979	3,872,275	5,458,667

The net book amounts of motor vehicles, fixtures, fittings tools and equipment above include £nil (2006 - £124,803) in respect of assets held under finances leases or hire purchase contracts

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

10. FIXED ASSET INVESTMENTS

Company	Shares in subsidiaries undertakings £
Cost	
At 1 May 2006	5,479,600
Additions (note 24)	380,000
30 April 2007	5,859,600

In the opinion of the directors the aggregate value of the company's interest in its subsidiary undertakings, including amounts owing, is not less than the values stated in the balance sheet at 30 April 2007

The companies in which the company's interest at the period end is more than 20% is as follows

Subsidiary undertaking	Country of incorporation	Principal activity	Class	Percentage
Kids of Wilmslow Limited	England	Provision of nursery care and education	Equity	100%
Kids (Warrington & Luton) Limited	England	Provision of nursery care & education	Equity	100%
Kids Nominees Limited	England	Dormant	Equity	100%
Tadpole Nurseries Limited	England	Provision of nursery care and education	Equity	100%

Kids of Wilmslow Limited has an investment in 100% of the share capital of Nursery Education for Employment Development Limited, a company incorporated in England and Wales

Kids (Warrington and Luton) Limited has an investment of 100% of the share capital of Kids Properties, a company incorporated in England and Wales

11. STOCKS

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Finished goods	29,265	27,532	-	-

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

12 DEBTORS

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Due within one year				
Trade debtors	328,499	761,157	-	-
Other debtors	109,546	6,891	-	-
Prepayments and accrued income	700,482	533,257	-	-
Due after one year				
Amounts due from group undertakings	-	-	2,880,559	3,635,023
	1,138,527	1,301,305	2,880,559	3,635,023

13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Loans and overdrafts (note 14)	4,374,452	4,473,531	4,374,452	4,422,719
Net obligations under finance leases and hire purchase contracts (note 15)	-	7,376	-	-
Trade creditors	1,286,159	956,932	-	-
Other taxes and social security	552,640	567,272	-	-
Other creditors	1,884,363	1,817,217	-	-
Accruals and deferred income	1,837,132	496,230	-	-
Corporation tax	1,409	-	-	-
	9,936,155	8,318,558	4,374,452	4,422,719

14. BORROWINGS

Borrowings fall due for payment as follows

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank overdrafts	331,310	360,325	331,310	309,513
Bank loans (note 16)	4,043,142	4,113,206	4,043,142	4,113,206
Secured loan notes 9 923% (note 16)	7,505,167	7,098,935	7,505,167	7,098,935
Secured loan notes 10% (note 16)	1,389,974	1,281,884	1,389,974	1,281,884
	13,269,593	12,854,350	13,269,593	12,803,538
Finance leases	-	7,376	-	-
	13,269,593	12,861,726	13,269,593	12,803,538
Due within one year	4,374,452	4,480,907	4,374,452	4,422,719
Due after one year	8,895,141	8,380,819	8,895,141	8,380,819
	13,269,593	12,861,726	13,269,593	12,803,538

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

15. FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follow

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Within one year	-	7,376	-	-
	-	7,376	-	-

Finance lease and hire purchase creditors are secured on the assets concerned

16 LOANS

Bank loans

Bank loans fall due for payment as follows

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Within one year	4,226,492	4,308,347	4,226,492	4,308,347
	4,226,492	4,308,347	4,226,492	4,308,347
Issue costs	(183,350)	(195,141)	(183,350)	(195,141)
	4,043,142	4,113,206	(4,043,142)	4,113,206

Bank loans are repayable from February 2005 Interest is charged at 2% above the bank base rate

Shareholder loans

Shareholder loans in the group and company balance sheet consists of 4,455,000 £1 9 923% Fixed Rate Guaranteed Secured Loan Notes and 750,000 £1 10% Fixed Rate Guaranteed Secured Loan Notes Both instruments were issued at par The loan notes are redeemable as follows -

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Between two and five years	8,982,070	8,524,771	8,982,070	8,524,771
	8,982,070	8,524,771	8,982,070	8,524,771
Issue costs	(86,929)	(143,952)	(86,929)	(143,952)
	8,895,141	8,380,819	8,895,141	8,380,819

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

17. SHARE CAPITAL

	Group and Company 2007 No	Group and Company 2006 No.	Group and Company 2007 £	Group and Company 2006 £
Authorised				
Ordinary shares of 1p each	6,192,662	6,192,662	61,926	61,926
"A" ordinary shares of 1p each	5,799,350	5,790,350	57,904	57,904
Deferred 'A' ordinary shares of 1p each	738,000	738,000	7,380	7,380
	12,721,012	12,721,012	127,210	127,210
Allotted, called up and fully-paid				
Ordinary shares of 1p each	5,559,649	5,559,649	55,596	55,596
Equity shares	5,559,649	5,559,649	55,596	55,596
"A" ordinary shares of 1p each	5,790,350	5,790,350	57,904	57,904
Deferred 'A' ordinary shares of 1p each	738,000	738,000	7,380	7,380
Non-equity shares	6,528,350	6,528,350	65,284	65,284
	12,087,999	12,087,999	120,880	120,880

'A' ordinary shareholders and deferred 'A' ordinary shareholders are entitled to a cumulative dividend based on the issued share capital represented by the 'A' ordinary shares

On a return of capital 'A' ordinary shareholders are entitled to unpaid participating dividends not exceeding 50% of assets available for distribution in preference to amounts due to other shareholders

Deferred 'A' ordinary shares may be converted to 'A' ordinary shares on a designated issue of ordinary shares

The voting rights and dividend rights of allocated 'A' ordinary shares are restricted

On a return of capital, the maximum amount payable to the deferred 'A' ordinary shares is limited by the Articles of Association and dividend rights are also restricted

18. RESERVES

	Group £	Company £
Share premium account		
At 1 May 2006 and 30 April 2007	529,392	529,392
	£	£
Profit and loss account deficit		
At 1 May 2006	8,118,717	4,339,187
Loss for the year	1,609,236	840,519
At 30 April 2007	9,727,953	5,179,706

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

19. RECONCILIATION OF MOVEMENT IN CONSOLIDATED EQUITY SHAREHOLDERS' DEFICIT

	2007 £	2006 £
Loss for financial year	1,609,236	1,952,488
Net reduction in equity shareholders' deficit	1,609,236	1,952,488
Opening equity shareholders' deficit	7,533,729	5,581,241
Closing equity shareholders' deficit	9,142,965	7,533,729

20 GROSS CASH FLOWS

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest paid	(369,312)	(276,567)
Interest received	25,012	3,953
	(344,300)	(272,614)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,358,455)	(1,150,736)
Receipts from sales of tangible fixed assets	750,000	468,249
Payment to acquire subsidiary undertaking	(380,000)	-
	(998,455)	(682,487)
Financing		
Loans acquired upon acquisition of subsidiary repaid	(400,416)	1,753,412
Loans repaid	(81,855)	(942,847)
Capital element of finance lease rental	(7,376)	(100,655)
	(489,647)	709,910

21. ANALYSIS OF CHANGES IN NET DEBT

	2006 £	Cash flows £	Other changes £	2007 £
Cash at bank and in hand	-	704,166	-	704,166
Overdrafts	(360,325)	29,015	-	(331,310)
	(360,325)	733,181	-	372,856
Debt due within one year	(4,113,206)	81,855	(11,791)	(4,043,142)
Debt due after one year	(8,380,819)	-	(514,322)	(8,895,141)
Finance leases	(7,376)	7,376	-	-
Total	(12,861,726)	822,412	(526,113)	(12,565,427)

Other changes to debt noted above relate to the accrual of interest and redemption premiums, and to the issue costs amortised in the year

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

22. OTHER COMMITMENTS

Group

At 30 April 2007 the group had annual commitments under operating leases as follows

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
Expiry date				
Between one and five years	-	54,618	-	47,429
After more than five years	3,615,552	-	3,199,215	-

23 CONTINGENT LIABILITIES

Terms and conditions attending to the development of certain sites are the subject of continuous negotiations The directors consider that all the obligations have been fully provided for in the financial statements

24 ACQUISITION OF SUBSIDIARY UNDERTAKING

On 9 May 2006, the company acquired 100% of the issued share capital of Tadpoles Nurseries Limited

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group

	Book value £	Adjustments £	Fair value to group £
Tangible fixed assets	405,114	375,301	780,415
Creditors	(400,415)	-	(400,415)
Net assets	4,699	375,301	380,000
Goodwill			-
Satisfied by			
Cash			380,000

The table below shows the profit and loss account of Tadpoles Nurseries Limited from the beginning of their accounting period 1 April 2006, to the date of acquisition, 9 May 2006, and from the date of acquisition to 30 April 2007

	Pre-acquisition £	Post-acquisition £	Total £
Turnover	-	408,025	408,025
Cost of sales	-	(247,943)	(247,943)
Gross profit	-	160,082	160,082
Admin expenses	20,348	(132,895)	(112,547)
Operating profit	20,348	27,187	47,535
Net interest cost	-	-	-
Profit on ordinary activities before taxation	20,348	27,187	47,535

NOTES TO THE ACCOUNTS
Year ended 30 April 2007

24. ACQUISITION OF SUBSIDIARY UNDERTAKING (continued)

Pre-acquisition results are shown on the basis of the accounting policies of Tadpoles Nurseries Limited prior to the acquisition

There were no recognised gains and losses other than the profit for the period

25. ULTIMATE CONTROLLING PARTY

The directors of the company control the company as a result of controlling 91% of the ordinary share capital of the company

26. TRANSACTIONS WITH RELATED PARTIES

The group has taken advantage of the exemptions available under the provision of Financial Reporting Standard 8 in respect of transactions with group companies Included in other creditors falling due after one year is an amount of £122,000 due to the group's pension scheme (2006 - £122,000) Rent was paid to the pension fund in the year of £38,004 (2006 - £38,004)
Included in trade creditors is an amount of £9,238 (2006 £nil) due to Ellis Fairbank Ltd a company which G Smith, is a director Amounts were paid to Ellis Fairbank in the year of £45,678 (2006 £nil)

27 PENSION COSTS

The group operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund The pension cost for the year is included within administrative expenses in the profit and loss account