

BHFS One Limited

Annual Report and Financial Statements

Year ended

31 December 2021



BHFS One Limited

Financial Statements

Year ended 31 December 2021

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BHFS One Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS	E Boland J Butler J Casagrande R Marshall
COMPANY SECRETARY	S Kramer
REGISTERED OFFICE	2 Crown Court Rushden Northamptonshire England NN10 6BS
AUDITOR	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

BHFS One Limited

Strategic Report

Year ended 31 December 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Review of Business

Bright Horizons is proud to be one of the UK's leading providers of high-quality care and education with circa 300 nurseries in the UK, a number of which are managed on behalf of employers, with a reputation for excellence spanning three decades.

In England, where comparative data is available from Ofsted, we are proud to have consistently outperformed our sector in terms of "Outstanding" judgements made at inspection.

How we compare, based on Ofsted published data at 31st August 2021:

www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-august-2021/main-findings-childcare-providers-and-inspections-as-at-31-august-2021

	Good and better	Outstanding
All Childcare providers %	97	17
Bright Horizons %	97	30

We have over 350 corporate clients for whom we manage workplace nurseries and also provide back-up care programmes that enable employers to offer their employees access to a high-quality back-up care network for children of all ages and also adult loved ones.

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

Developments

Since March 2020, our UK operations have been significantly impacted by the ongoing COVID-19 pandemic and the measures undertaken to prevent its spread. During the early stages of the pandemic, most of our child care centres were temporarily closed. We responded by focusing on health and safety, supporting clients and their essential frontline workers and pivoting to expand back-up care solutions for clients and employees to meet the surge in need and demand.

Whilst nearly all of our centres have re-opened by the end of 2020, we continued to be impacted by the ongoing effects of COVID-19 throughout 2021, including the resurgence of infections and variants of the virus, which impacted enrolment growth, as well as the challenges of managing precautionary and preventative measures such as vaccination and masks mandates, virus exposures affecting our staff and families who attend our centres, and disrupted staff availability.

We have and will continue to monitor and respond to the changing conditions, challenges and disruptions resulting from the COVID-19 pandemic, including labour constraints affecting the early education and child care industry, as well as the changing needs of clients, families and children. We do this while remaining focused on our strategic priorities to deliver high quality education and care services, connect across our service lines, extend our impact on new customers and clients, and preserve our strong culture. In 2022, we continue to focus on growing enrolment in our centres and expanding the delivery of back-up use across our network of providers.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2021

Developments *(continued)*

The ongoing war between Russia and Ukraine continues to evolve as military activity proceeds and additional sanctions are imposed. The war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges. Management have considered the rising inflation in the latest forecasts for 2022 and beyond.

Acquisitions

As part of the continuous commitment to growth, Bright Horizons completed two strategic acquisitions in the United Kingdom in 2021 as outlined below:

On 24 September 2021, Bright Horizons acquired Poppetts Limited. Poppetts Limited operates a day nursery and out of school club in Shenfield, Essex.

On 8 December 2021, Bright Horizons acquired Tinysaurus Nurseries Ltd and its wholly owned subsidiary Rose Cottage Day Nursery Limited (referred to as the Saurus Group). The Saurus group operates 12 day nurseries in the South of England.

Key Performance Indicators

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

	2021	2020
Revenue (in £000s)	243,100	188,126
EBITDA* (in £000s)	17,514	3,648
Number of centres as at 31 December	297	299
Number of places (capacity)	24,372	24,341

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

As of 31 December 2021, Bright Horizons operated 297 centres in the United Kingdom. During the year ended December 31, 2021, we opened 2 new centres, acquired 13 new centres as part of business acquisitions and permanently closed 17 locations where demand for childcare and economics had shifted. Revenue generated for the year ended December 31, 2021 increased by £54,974k, or 29%, when compared to the prior year. Revenue growth was attributable to enrollment increases in our open centres and the re-opening of our temporarily closed centers. EBITDA in the year increased to £17,513k compared to £3,648k in prior year which is largely attributable to the increase in tuition revenue from the enrollment growth in our open centres and the re-opening of temporarily closed centres.

Net liabilities in the year increased to £165,653k compared to £125,310k in 2020 which is largely driven by the annual interest accruing on long-term intercompany debt.

Strategy and Objectives

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

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

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Strategic Report *(continued)*

Year ended 31 December 2021

Strategy and Objectives *(continued)*

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

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

Principal Risks and Uncertainties

The principal risks for Bright Horizons in the UK are:

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

The COVID-19 pandemic has substantially disrupted our operations. We expect to continue to be impacted as the situation remains dynamic and subject to rapid and potentially material changes. As of 31 December 2021, we operated 297 child care and early education centres. We are focused on the re-enrolment and ramping of our centres, but the COVID-19 pandemic may cause further disruptions to our business and potential adverse impacts to our financial condition and results of operations.

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

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

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

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

2. Changes in legislation and Government policy constantly pose a risk to the UK childcare industry. Bright Horizons ensures it keeps up to date with all legislation and government changes to ensure full compliance at all times. Bright Horizons is a significant business in the sector and works closely with Government to advise on future policy decisions.

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Strategic Report *(continued)*

Year ended 31 December 2021

Principal Risks and Uncertainties *(continued)*

Government pressure in recent years on councils to reduce 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 childcare nurseries has also been reduced.

As such, our continued profitability depends on our ability to pass on our increased costs, such as labour and related costs, to our customers.

Hiring and retaining key employees and qualified personnel, including teachers, is critical to our business. Because we are primarily a service business, inflationary factors and regulatory changes that contribute to wage and benefits cost increases result in significant increases in the costs of running our business. We are committed to pay employees at rates equal or above the minimum wage, and increases in the national living wage rates could result in a corresponding increase in the wages and benefits we pay to our employees. In certain cases, we may also use agency labour which further increases the cost of our services.

Our success depends on our ability to continue to pass along these costs to our customers and to meet our changing labour needs while controlling costs.

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

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

4. In March 2020, the Group began to experience the impact of the COVID-19 pandemic on its operations, as required business and school closures government mandates in response to the pandemic resulted in the temporary closure of a significant portion of the Company's child care centres.

The broad effects of COVID-19, its duration and scope of the ongoing disruption cannot be predicted and is affected by many interdependent variables and decisions by government authorities and the Company's client partners, as well as demand, economic trends, the adoption and effectiveness of a vaccine, and developments in the persistence and treatment of COVID-19.

The Group cannot anticipate how long it will take for centres to reach typical enrolment levels and there is no assurance that centres currently open will continue to operate. Delays in client and business return-to-office, changing workplace trends, and increased competition for labour, particularly for teaching staff, may temporarily slow our overall recovery and impact enrolment. It remains difficult to predict the full impact of the pandemic, but we remain committed to families, clients and our employees. In 2022, we continue to focus on growing enrolment in our centres and expanding the delivery of back-up use across our network of providers.

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Strategic Report *(continued)*

Year ended 31 December 2021

Section 172(1) Statement

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

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

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

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

Significant events/decisions - *Acquisition of Poppetts Limited and Tinysaurus Nurseries Ltd*

Key s.172 stakeholders affected - *Children and families, Employees*

Actions and impact:

- The Board, as supported by our acquisition team took the decision to complete on two acquisitions in 2021 following a careful evaluation with the goal of offering the best in class service to children and families.
- The acquisition of Tinysaurus nurseries Ltd added 12 nurseries to the Bright Horizons portfolio and has a strategic role in helping us enhance the scope and reach of our service offering in the South of England.
- The acquisition of Poppetts Limited added a day nursery and out of school club in Shenfield, Essex to the Bright Horizons portfolio.
- Employees of both Poppetts and Tinysaurus have been integrated within the Bright Horizons team with access to regular training and development opportunities.

Significant events/decisions - *Adoption of Climate Action Strategy*

Key s.172 stakeholders affected - *Children and families, Employees, Suppliers, Clients*

Actions and impact:

- Bright Horizons plays an influential role in shaping the values and identities of its children, families, employees and clients and therefore has a moral obligation to prioritise environmental sustainability.
- The board is committed to reduce Bright Horizon's impact on the environment by focusing on six key fields of action: facility management, travel, children and parents, employees, procurement and clients.

Significant events/decisions - *Adoption of Diversity, Equality, Inclusion and Belonging (DEIB) strategy*

Key s.172 stakeholders affected - *Employees*

Actions and impact:

- The Board commissioned a strategic review and detailed analysis of DEIB at Bright Horizons using focus groups.
- As a result, a strategy was adopted that supports the strategic objectives of the people, quality and growth.
- The strategy also detailed any immediate focused actions including but not limited to attraction and retention of employees, building leadership capability and engagement.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2021

Section 172(1) Statement *(continued)*

The safety and wellbeing of the children in our care

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

Throughout 2020 and 2021, Bright Horizons main focus has been on keeping all of our staff and children safe. To help keep everyone safe, we have implemented various safety measures, including social distancing and rigorous cleaning practices, at our nurseries. We continue to operate in full compliance with the latest guidance from the Department for Education, NHS and government briefings, together with our own comprehensive COVID-19 policies regarding infection control.

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

Through our registered charity Bright Horizons Foundation for Children (UK) we work to help children and families in crisis, creating and managing over 86 (2020: 83) Bright Spaces where children can play and feel safe, in partnership with community partners such as domestic violence refuges, refugee centres, and the Metropolitan Police.

The Board continues to encourage involvement of Bright Horizons employees and customers in supporting local communities. In 2021, our leadership team in the UK made up Comfort Kits that were distributed to victims of domestic abuse through our partner Refuge. Our IT department donated 7 personal computers that were distributed to partners.

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

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

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

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

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

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2021

Section 172(1) Statement *(continued)*

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

The need to foster the company's relationships with suppliers

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

Bright Horizons continues to work with its suppliers in a collaborative partnership manner to ensure combined success.

Financial Risk Management

The Group is a wholly owned subsidiary of Bright Horizons Family Solutions LLC, a wholly owned subsidiary of Bright Horizons Family Solutions Inc. The Company is quoted on the New York Stock Exchange with a market capitalisation of \$5.3bn as at 6 May 2022. The Group's growth has been supported and funded in part by its US parent company with a combination of equity capital and intercompany loans. The Group is financially strong and it complements its operational and competitive strengths

This report was approved by the board of directors on Aug 8, 2022 and signed on behalf of the board by:


john.butler - 14 Aug 2022 15:02 GMT+01:00

J Butler
Director

BHFS One Limited

Directors' Report

Year ended 31 December 2021

The directors present their report and the financial statements of the group for the year ended 31 December 2021.

Directors

The directors who served the company during the year were as follows:

E Boland
G Fee
J Casagrande
R Marshall

Since the year end there been the following director appointments and resignations:

G Fee	(Resigned 29 April 2022)
J Butler	(Appointed 2 May 2022)

Results and Dividends

The loss for the year, after taxation, amounted to £40,343,000 (2020: loss £58,386,000).

The directors do not recommend the payment of a dividend for the year under review (2020: £nil).

Energy and Carbon Reporting

	Unit	2021	2020
Transport	tCO2e	166	177
Gas	tCO2e	3,749	2,665
Electricity	tCO2e	3,939	1,937
Total emissions	tCO2e	7,854	4,779
Total energy consumption	kWh	<u>29,142,677</u>	<u>23,504,735</u>

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

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

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

The Group has engaged an external consultant to estimate the total energy use (in kWh) during the financial year, including the use of transport, electricity and gas as shown in the table above.

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Energy and Carbon Reporting *(continued)*

The carbon footprint assessment methodology was based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. System boundaries were defined using the operational control approach. All sites reported were considered to be under Bright Horizons control. Whilst Bright Horizons may not always be able to make decisions related to the sites' maintenance and utilities, the Group is responsible for running the operations in all these facilities (e.g. waste management, catering, supplies etc.).

The emissions associated with employee business travel using own personal vehicles throughout the calendar year of 2021 using spend (reimbursement) data in GBP. To estimate the emissions from these trips and fuel consumption in kWh hours, the following calculation approach was followed: 1) Based on the official UK Government guidance on business travel mileage allowance for employees' own vehicles, a 45p/mile rate was used to estimate the total annual mileage 2) DEFRA's emission factors were then used to convert mileage to fuel consumption in kWh.

Based on the total program capacity, it is estimated that in 2021 the Group generated c. 0.31 (2020: 0.21) of CO₂ emissions for each nursery place.

Financial Risk Management

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

Capital risk management

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

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

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

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

Qualifying Indemnity Provision

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

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Going Concern

In the light of the coronavirus pandemic, the directors have reviewed the current financial performance and the liquidity of the business.

The UK Group implemented measures throughout the pandemic to manage costs and improve liquidity and to thereby mitigate the impact on our financial position and operations. These measures included, but are not limited to, the following:

- furloughing a limited number employees in temporarily closed centres until the end of the furlough scheme in September 2021;
- reducing discretionary spending and overhead costs, while prioritizing investments that support current operations and deferring to future periods non-essential investments;
- phasing the re-opening of temporarily closed centres to align with enrolment demand;
- participating in government support programs, including employee wage support, business rates relief and the continued receipt of early years childcare funding.

As a result of the measures outlined above, the UK Group maintained a strong cash position throughout the year and as of 31 December 2021 cash reserves held stood at £3.9m (31 December 2020: £18.5m). The drop in cash in comparison to prior year is largely due to increased acquisition activity in the second half of 2021 when Bright Horizons acquired Poppetts Limited and Tinysaurus Nurseries Ltd (as detailed in Note 26).

In 2021, the Group realised a net loss and is in a net liability position, which is due to the long-term debt owed to its ultimate parent. The UK Group is 100% owned by Bright Horizons Family Solutions Inc., a Company incorporated in the USA and listed on New York Stock Exchange. The parent company has declared its ability and willingness to support the UK business as it continues its recovery from the COVID-19 pandemic, by providing liquidity where required. Whilst Bright Horizons Family Solutions Inc. has also been affected by the pandemic, its liquidity position remains stable and the latest public filing as of 31 December 2021 shows a cash position of \$261m and an undrawn multi-currency revolving credit facility of \$400m.

The directors, having reviewed current performance and forecasts, and the factors listed above, have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

Corporate Governance and Obligations

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

There is a comprehensive governance framework that draws on external expertise as appropriate. This framework provides for regular governance meetings of the UK senior leadership team and review of performance indicators.

The Company is in the process of reviewing its governance structure to comply with the latest principles for larger private companies.

Disclosure of Information in the Strategic Report

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

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Directors' Responsibilities Statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditor

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

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

Auditors

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

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2021

This report was approved by the board of directors on 08/08/2022 and signed on behalf of the board by:

John Butler
John Butler (A075, 2022 IS 07 CMT-1)

J Butler
Director

BHFS One Limited

Independent Auditor's Report to the Members of BHFS One Limited

Year ended 31 December 2021

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BHFS One Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

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

Independence

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

Conclusions Relating to Going Concern

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

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

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

BHFS One Limited

Independent Auditor's Report to the Members of BHFS One Limited *(continued)*

Year ended 31 December 2021

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any *form of assurance conclusion thereon*. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 Reporting

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

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

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

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

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

BHFS One Limited

Independent Auditor's Report to the Members of BHFS One Limited *(continued)*

Year ended 31 December 2021

Responsibilities of Directors

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Based on our understanding of the Group and Parent Company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the education inspection framework (EIF), Companies Act 2006 and UK tax legislation. We evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override, and considered that the principal risk related to the posting of inappropriate journal entries to to improve the result before tax for the year.

We designed audit procedures to respond to this risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

BHFS One Limited

Independent Auditor's Report to the Members of BHFS One Limited *(continued)*

Year ended 31 December 2021

Procedures performed by the audit team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Obtaining an understanding and testing of the controls around purchase order to invoice matching and approvals and of the controls around billing and revenue reconciliations which were designed to prevent and detect fraud and irregularities; and
- Evaluating journal entries with specific criteria such as manual journal entries, journal entries posted to key control accounts and in relation to key accounting estimates which were processed during and after the Group's financial year end as part of our planned audit approach.
- A detailed review and challenge of all material accounting estimates, including a review of related principles, methodology and key assumptions.

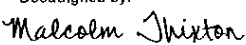
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

2BEB056D80974E4

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton

Date: 08 August 2022

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

BHFS One Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

		2021	2020
	Note	£000	£000
TURNOVER	4	243,100	188,126
Cost of sales		(132,802)	(133,194)
GROSS PROFIT		110,298	54,932
Administrative expenses		(125,269)	(123,570)
Other operating income	5	833	32,822
OPERATING LOSS	6	(14,138)	(35,816)
Other interest receivable and similar income	9	—	19
Interest payable and similar expenses	10	(24,105)	(23,048)
LOSS BEFORE TAXATION		(38,243)	(58,845)
Tax on loss	11	(2,100)	459
LOSS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		(40,343)	(58,386)

All the activities of the group are from continuing operations.

The notes on pages 24 to 50 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Financial Position

31 December 2021

	Note	2021 £000	2020 £000
FIXED ASSETS			
Intangible assets	12	212,945	195,636
Tangible assets	13	159,728	165,345
		<u>372,673</u>	<u>360,981</u>
CURRENT ASSETS			
Debtors: due within one year	15	21,047	15,675
Debtors: due after more than one year	15	329	414
Cash at bank and in hand		3,922	18,459
		<u>25,298</u>	<u>34,548</u>
CREDITORS: amounts falling due within one year	16	(70,921)	(46,143)
NET CURRENT LIABILITIES		<u>(45,623)</u>	<u>(11,595)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		327,050	349,386
CREDITORS: amounts falling due after more than one year	17	(474,786)	(460,180)
PROVISIONS			
Deferred taxation	18	(10,095)	(7,220)
Other provisions	18	(7,822)	(7,296)
		<u>(17,917)</u>	<u>(14,516)</u>
NET LIABILITIES		<u>(165,653)</u>	<u>(125,310)</u>
CAPITAL AND RESERVES			
Share premium account	24	7,125	7,125
Profit and loss account	24	(172,778)	(132,435)
SHAREHOLDERS DEFICIT		<u>(165,653)</u>	<u>(125,310)</u>

These financial statements were approved by the board of directors and authorised for issue on .Aug.8. 2022...., and are signed on behalf of the board by:


[John Butler] Aug 8, 2022 15:02:58 (+1)

J Butler
Director

Company registration number: 03943330

The notes on pages 24 to 50 form part of these financial statements.

BHFS One Limited

Company Statement of Financial Position

31 December 2021

	Note	2021 £000	2020 £000
FIXED ASSETS			
Investments	14	306,536	306,536
CURRENT ASSETS			
Debtors: due within one year	15	4,408	4,408
CREDITORS: amounts falling due within one year	16	(1,362)	(1,362)
NET CURRENT ASSETS		3,046	3,046
TOTAL ASSETS LESS CURRENT LIABILITIES		309,582	309,582
CREDITORS: amounts falling due after more than one year	17	(473,970)	(450,164)
NET LIABILITIES		(164,388)	(140,582)
CAPITAL AND RESERVES			
Share premium account	24	7,125	7,125
Profit and loss account	24	(171,513)	(147,707)
SHAREHOLDERS DEFICIT		(164,388)	(140,582)

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not prepared its own statement of comprehensive income in the financial statements. The loss for the financial year of the parent company was £23,806,000 (2020: £22,718,000).

These financial statements were approved by the board of directors and authorised for issue on Aug 8, 2022....., and are signed on behalf of the board by:


John Butler (d. 24, 10/15/2021)

J Butler
Director

Company registration number: 03943330

The notes on pages 24 to 50 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Share premium account £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2020	7,125	(74,049)	(66,924)
Loss for the year	—	(58,386)	(58,386)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(58,386)	(58,386)
AT 31 DECEMBER 2020	7,125	(132,435)	(125,310)
Loss for the year	—	(40,343)	(40,343)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(40,343)	(40,343)
AT 31 DECEMBER 2021	<u>7,125</u>	<u>(172,778)</u>	<u>(165,653)</u>

The notes on pages 24 to 50 form part of these financial statements.

BHFS One Limited

Company Statement of Changes in Equity

Year ended 31 December 2021

	Share premium account £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2020	7,125	(124,989)	(117,864)
Loss for the year		(22,718)	(22,718)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(22,718)	(22,718)
AT 31 DECEMBER 2020	7,125	(147,707)	(140,582)
Loss for the year		(23,806)	(23,806)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(23,806)	(23,806)
AT 31 DECEMBER 2021	<u>7,125</u>	<u>(171,513)</u>	<u>(164,388)</u>

The notes on pages 24 to 50 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	2021 £000	2020 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(40,343)	(58,386)
<i>Adjustments for:</i>		
Depreciation of tangible assets	14,114	15,317
Impairment of tangible assets	448	4,532
Amortisation of intangible assets	17,090	19,615
Other interest receivable and similar income	—	(19)
Interest payable and similar expenses	24,105	23,048
Gains on disposal of tangible assets	(82)	(812)
Equity-settled share-based payments	902	976
Tax on loss	2,100	(459)
<i>Changes in:</i>		
Trade and other debtors	(4,714)	(1,196)
Trade and other creditors	8,513	11,690
Provisions and employee benefits	(1,553)	3,404
Cash generated from operations	20,580	17,710
Tax paid	(2,811)	(1,244)
Net cash from operating activities	<u>17,769</u>	<u>16,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(7,629)	(8,383)
Proceeds from sale of tangible assets	1,415	5,506
Purchase of intangible assets	(148)	(132)
Cash acquired with business combinations	1,394	—
Cash paid to acquire business combinations	(27,338)	—
Net cash used in investing activities	<u>(32,306)</u>	<u>(3,009)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,537)	13,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,459	5,002
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>3,922</u>	<u>18,459</u>

The notes on pages 24 to 50 form part of these financial statements.

BHFS One Limited

Notes to the Financial Statements

Year ended 31 December 2021

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

3.2 Going concern

The directors have reviewed the current financial performance and the liquidity of the business. In light of the continuing uncertainties brought by the COVID-19 pandemic, the directors have also reviewed the forecasts covering 12 months from the date of signing of the annual report.

The UK Group implemented measures throughout the pandemic to manage costs and improve liquidity, and to thereby mitigate the impact on our financial position and operations. As government restrictions have been lifted, these measures have been phased out in 2021.

Despite that, the UK Group maintained a strong cash position throughout the year and as of 31 December 2021 the cash reserves held stood at £3.9m compared to £18.5m as of 31 December 2020. The year-on-year decrease in cash is largely attributable to the resumed business acquisitions activity throughout 2021 with two new acquisitions completing in the second half of the year (as detailed in Note 26).

In 2021, the Group realised a net loss and is in a net liability position, which is due to the long-term debt owed to its ultimate parent. The UK Group is 100% owned by Bright Horizons Family Solutions Inc., a Company incorporated in the USA and listed on New York Stock Exchange. The immediate parent company is BHFS LLC, a company incorporated in the USA. The immediate parent company has declared its ability and willingness to support the UK business as it continues its recovery from the COVID-19 pandemic, by providing liquidity where required. Whilst Bright Horizons Family Solutions Inc. has also been affected by the pandemic, its liquidity position remains stable and the latest public filing as of 31 December 2021 shows a cash position of \$261m and an undrawn multi-currency revolving credit facility of \$400m.

The directors, having reviewed current performance, forecasts, and stress testing, and the factors listed above, have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

3.3 Parent company disclosure exemptions

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

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

3.4 Consolidation

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

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

3.5 Judgements and key sources of estimation uncertainty

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

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine the length of the non cancellable period for which the Group has entered into the lease. These decisions are based on a number of options within the lease and whether or not the Group at the inception of the lease is reasonably certain that it intends to exercise these options.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill and amounts owed by group undertakings. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

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

- Determine whether the fair value of the properties acquired is the price that would be received to sell the asset in an orderly transaction between market participants.
- Determine whether the acquired intangibles assets are identifiable in terms of being separable and arise from contractual or legal rights. This has been determined on a basis that reflects an amount that the group would have paid for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. If the fair value could not be measured reliably, the asset is not recognised as a separate intangible asset, but is included in goodwill.

Key assumptions include:

Investments (see note 14)

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

Impairments of goodwill, tangible and intangible assets

During 2021 the Group assessed the need for potential asset impairments or write-downs as a result of the ongoing COVID-19 pandemic.

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

As a result of COVID-19, we have reviewed tangible and intangible assets. Impairment is assessed by comparing the carrying amounts of the assets to the estimated undiscounted future cash flows over the assets remaining lives. If the estimated cash flows are less than the carrying amounts of the assets, an impairment loss is recognised to reduce the carrying amounts of the assets to its estimated fair value. The estimated fair value is determined based on discounting estimated cash flows, including consideration of market rates for leased assets. The impairment is allocated to the fixed assets on a pro rata basis using the relative carrying amounts, but only to the extent the carrying amount of an asset is above its fair value.

The discount rate used in impairment testing was 8%. No changes have been made to the key assumptions applied in managements impairment reviews during the year.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

Discount rates

Management use a discount rate to discount onerous lease and dilapidation provisions to present value. This discount rate is risk-free because the associated cash flows are risk-adjusted. In 2021, the risk-free rate for measuring provisions was 4.72% (2020: 4.72%).

Long term growth rates

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

Dilapidation provisions

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

Onerous lease provisions

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

Contingent consideration

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

3.6 Revenue

Revenue represents sales to external customers at invoiced amounts net of discounts less value added tax or local taxes on sales. Revenue is recognised on performance of underlying services which is based on attendance at the group's nurseries.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Further detail on how the revenue policy was applied in 2021 is available in Note 4.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

3.7 Current and deferred taxation

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

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

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

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

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

3.8 Leased assets

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

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

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

3.9 Goodwill

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

3.10 Intangible assets

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

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

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

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

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

3.11 Amortisation

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

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

Estimated useful lives of acquisition related intangible assets:

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

Amortisation *(continued)*

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

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

3.12 Tangible assets

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

3.13 Depreciation

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

Depreciation is provided on the following basis:

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

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

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

3.14 Impairment of fixed assets and goodwill

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

3.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.16 Government grants

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

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

Throughout 2020 and part of 2021, the Group has utilised government support in the form of grants for furloughed employees due to the COVID-19 pandemic. Furlough grants have been recognised within other income on the accruals model.

3.17 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

3.18 Financial liabilities and equity

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

3.19 Interest income

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

3.20 Finance costs

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

3.21 Share based payments

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

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

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

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

3.22 Provisions

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

3.23 Financial instruments

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

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

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

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

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

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

3.24 Defined contribution plans

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

3.25 Business combinations

Business combinations are accounted for using the purchase method.

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

4. TURNOVER

Turnover arises from:

	2021 £000	2020 £000
Nursery services	243,100	188,126

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

Included within turnover are amounts totalling £37.8m relating to early years childcare funding (2020: £38.1m).

5. OTHER OPERATING INCOME

	2021 £000	2020 £000
Government grant income	833	31,875
Other operating income	—	947
	<u>833</u>	<u>32,822</u>

6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2021 £000	2020 £000
Amortisation of intangible assets	17,090	19,615
Depreciation of tangible assets	14,114	15,317
Impairment of tangible assets recognised in:		
Administrative expenses	448	4,532
Loss/(gains) on disposal of tangible assets	365	(812)
Operating lease rentals	22,251	21,456
Share-based payments	902	976
Defined contribution pension cost	<u>3,848</u>	<u>4,315</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

7. AUDITOR'S REMUNERATION

	2021 £000	2020 £000
Fees payable for the audit of the financial statements	208	182

8. STAFF COSTS

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

	2021 No.	2020 No.
Nursery staff	7,283	8,432
Administrative staff	428	488
	<u>7,711</u>	<u>8,920</u>

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

	2021 £000	2020 £000
Wages and salaries	127,170	138,727
Social security costs	9,454	9,658
Other pension costs	3,848	4,315
	<u>140,472</u>	<u>152,700</u>

The company has no employees or staff costs (2020: £nil).

Directors' remuneration

One director, who is also the highest paid director, received emoluments during the current year totalling £263,752 (2020: £276,421).

There were no directors in the group's defined contribution pension scheme during the year. These contributions totalled £nil (2020: £nil).

None of the directors have exercised share option in the current or prior year.

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

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
Bank interest receivable	—	19

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £000	2020 £000
Loans from group companies	24,105	23,048

Please refer to Note 17 for further information regarding interest bearing loans.

11. TAX ON LOSS

Major components of tax income

	2021 £000	2020 £000
Current tax:		
UK current tax income	1,256	–
Adjustments in respect of prior periods	(1,110)	(1,274)
Total current tax	146	(1,274)
Deferred tax:		
Origination and reversal of timing differences	(176)	(1,384)
Impact of change in tax rate	1,980	667
Adjustments in respect of prior periods	150	1,532
Total deferred tax	1,954	815
Tax on loss	2,100	(459)

Reconciliation of tax expense/(income)

The tax assessed on the loss on ordinary activities for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £000	2020 £000
Loss on ordinary activities before taxation	(38,243)	(58,845)
Loss on ordinary activities by rate of tax	(7,266)	(11,180)
Adjustment to tax charge in respect of prior periods	1,619	258
Effect of expenses not deductible for tax purposes	4,761	4,606
Effect of capital allowances and depreciation	1,869	4,851
Effect of revenue exempt from tax	1	–
Effect of different UK tax rates on some earnings	1,264	461
Losses carried back	–	1,332
Deferred tax not recognised	863	221
Other differences	(207)	(1,288)
Capital gains and losses	–	280
Other movements	(804)	–
Tax on loss	2,100	(459)

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

11. TAX ON LOSS *(continued)*

Factors that may affect future tax expense

For further information on deferred tax balances see note 19.

An increase to the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) received Royal Assent on 10 June 2021. As this rate was substantively enacted at the balance sheet date, closing deferred tax balance have been calculated at 25%.

12. INTANGIBLE ASSETS

Group	Goodwill £000	Capitalised development costs £000	Trade names £000	Customer relationships £000	Total £000
Cost					
At 1 January 2021	286,278	1,441	2,857	23,609	314,185
Additions	—	148	—	—	148
Disposals	—	—	—	(2,890)	(2,890)
Acquisitions through business combinations	26,558	—	210	3,080	29,848
Change in fair value of deferred consideration	4,403	—	—	—	4,403
At 31 December 2021	317,239	1,589	3,067	23,799	345,694
Amortisation					
At 1 January 2021	98,636	828	2,718	16,367	118,549
Charge for the year	12,890	506	64	3,630	17,090
Disposals	—	—	—	(2,890)	(2,890)
At 31 December 2021	111,526	1,334	2,782	17,107	132,749
Carrying amount					
At 31 December 2021	205,713	255	285	6,692	212,945
At 31 December 2020	187,642	613	139	7,242	195,636

The company has no intangible assets.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

13. TANGIBLE ASSETS

Group	At 1 Jan 2021 £000	Additions £000	Disposals £000	Acquisition through business comb. £000	Transfers £000	At 31 Dec 2021 £000
Cost						
Freehold land and buildings	125,877	205	(1,250)	—	—	124,832
Leasehold land and buildings	74,907	3,272	(1,929)	2,397	213	78,860
Fixtures and fittings	25,352	1,387	(2,044)	254	3	24,952
Motor vehicles	42	—	(12)	33	—	63
Equipment	23,079	2,209	(1,096)	10	171	24,373
Assets in the course of construction	520	556	—	—	(392)	684
	<u>249,777</u>	<u>7,629</u>	<u>(6,331)</u>	<u>2,694</u>	<u>(5)</u>	<u>253,764</u>
	At 1 Jan 2021 £000	Charge for the year £000	Disposals £000	Impairment losses £000	Transfers £000	At 31 Dec 2021 £000
Depreciation						
Freehold land and buildings	14,070	2,422	(63)	—	—	16,429
Leasehold land and buildings	37,425	5,118	(1,869)	448	122	41,244
Fixtures and fittings	17,712	3,153	(1,993)	—	(164)	18,708
Motor vehicles	41	3	(12)	—	—	32
Equipment	15,184	3,418	(1,021)	—	42	17,623
	<u>84,432</u>	<u>14,114</u>	<u>(4,958)</u>	<u>448</u>	<u>—</u>	<u>94,036</u>
					At 31 Dec 2021 £000	At 31 Dec 2020 £000
Carrying amount						
Freehold land and buildings					108,403	111,807
Leasehold land and buildings					37,616	37,482
Fixtures and fittings					6,244	7,640
Motor vehicles					31	1
Equipment					6,750	7,895
Assets in the course of construction					684	520
					<u>159,728</u>	<u>165,345</u>

The company has no tangible assets.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

13. TANGIBLE ASSETS *(continued)*

Freehold land totalling £55,730,000 (2020: £56,410,000) has not been depreciated due to land having an unlimited useful economic life.

14. INVESTMENTS

The group has no investments.

Company	Investments in subsidiary companies £000
Cost	
At 1 January 2021 and 31 December 2021	306,536
Impairment	
At 1 January 2021 and 31 December 2021	—
Carrying amount	
At 1 January 2021 and 31 December 2021	306,536
At 31 December 2020	306,536

Subsidiaries, associates and other investments

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

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

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

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

See note 31 for a full list of the company's subsidiaries.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

15. DEBTORS

Debtors falling due within one year are as follows:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	9,914	6,714	–	–
Amounts owed by group undertakings	–	2,955	4,408	4,408
Deferred tax asset	76	74	–	–
Prepayments and accrued income	7,670	2,640	–	–
Corporation tax repayable	2,233	1,274	–	–
Other debtors	1,154	2,018	–	–
	<u>21,047</u>	<u>15,675</u>	<u>4,408</u>	<u>4,408</u>

Debtors falling due after one year are as follows:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Other debtors	<u>329</u>	<u>414</u>	<u>–</u>	<u>–</u>

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

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

16. CREDITORS: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans and overdrafts	–	40	–	–
Trade creditors	2,336	2,061	–	–
Amounts owed to group undertakings	4,488	–	1,362	1,362
Accruals and deferred income	40,685	35,647	–	–
Social security and other taxes	4,962	4,546	–	–
Other creditors	18,450	3,849	–	–
	<u>70,921</u>	<u>46,143</u>	<u>1,362</u>	<u>1,362</u>

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

Included within Accruals and deferred income is £2.9m of deferred income related to government funding (2020: £3.4m).

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Amounts owed to parent undertaking	473,970	450,164	473,970	450,164
Other creditors	816	10,016	—	—
	<u>474,786</u>	<u>460,180</u>	<u>473,970</u>	<u>450,164</u>

Included within creditors: amounts falling due after more than one year is an amount of £473,970,000 (2020: £450,164,000) for the group and company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Amounts owed to parent undertaking of £473,970,000 (2020: £450,164,000) relates to loan notes payable to the ultimate parent undertaking. Cumulative accrued interest rolled up to date on these loan notes totals £180,877,000 (2020: £155,743,000), including £23,806,000 (2020: £22,718,000) relating to interest accrued in the current year. Both notes accrue interest at 5.28% per annum and are repayable on 31 December 2028.

Contingent consideration

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

At the reporting date, the fair value of the contingent consideration was £14,638,000 (2020: £10,016,000). The fair value of the contingent consideration recorded in the year ended 31 December 2021 was calculated using a real options model based on probability weighted outcomes of meeting certain future performance targets. The key inputs to the valuation are the projections of future financial results in relation to the business.

18. PROVISIONS

Group	Other provisions	Deferred tax	Dilapidation	Onerous lease	Total
	£000	(note 19) £000	provision £000	provision £000	£000
At 1 January 2021	—	9,906	5,048	2,248	17,202
Charges to profit or loss	1,200	189	(2)	578	1,965
Utilised in year	—	—	(725)	(572)	(1,297)
Other movements	—	—	—	47	47
At 31 December 2021	<u>1,200</u>	<u>10,095</u>	<u>4,321</u>	<u>2,301</u>	<u>17,917</u>

The company does not have any provisions.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

18. PROVISIONS *(continued)*

Dilapidations provision

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

Onerous lease provisions

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

19. DEFERRED TAX

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Included in debtors (note 15)	76	74	—	—
Included in provisions (note 18)	(10,095)	(7,220)	—	—
	<u>(10,019)</u>	<u>(7,146)</u>	<u>—</u>	<u>—</u>

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Accelerated capital allowances	3,010	1,892	—	—
Unused tax losses	(111)	(98)	—	—
Short term timing differences	(195)	(778)	—	—
Capital gains	6,180	4,697	—	—
Intangible assets - parent relationships	1,135	1,433	—	—
	<u>10,019</u>	<u>7,146</u>	<u>—</u>	<u>—</u>

The group and company have unprovided deferred tax assets in respect of accrued loans interest of £4,033,369 (2020: £3,803,565).

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

20. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in the consolidated statement of comprehensive income as an expense in relation to defined contribution plans was £3,848,000 (2020: £4,315,000).

There were amounts owing at the year end of £661,000 (2020: £718,000).

21. SHARE BASED PAYMENTS

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

	2021 Number of shares	2021 Weighted average exercise price \$	2020 Number of shares	2020 Weighted average exercise price \$
Outstanding at the beginning of the year	144,300	\$118.90	175,025	\$93.59
Granted during the year	48,425	\$155.10	64,486	\$147.79
Exercised/released during the year	(22,550)	\$92.34	(52,371)	\$66.22
Cancelled/forfeited during the year	(24,000)	\$132.59	(42,840)	\$123.36
Expired during the year	(400)	\$122.44	-	-
Outstanding at the end of the year	145,775	\$132.77	144,300	\$118.90

During the 12 months to 31 December 2021 the group issued 48,425 long term incentive options (2020: 64,486) to certain UK employees. These options will vest for 5 years from the grant date with the exercise price being the open market value at the time of issue.

Of the total number of options outstanding at the end of the year 62,871 (2020: 60,580) had vested and 22,550 (2020: 52,371) were exercised at the end of the year.

The number of options exercised during the year was 22,550 (2020: 52,371).

The number of options cancelled and forfeited during the year was 24,000 (2020: 42,840).

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

The fair value of the options granted and recognised within administration expenses in the year was £902,061 (2020: £975,622).

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

22. FINANCIAL INSTRUMENTS

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

Financial assets that are debt instruments measured at amortised cost

	Group	
	2021	2020
	£000	£000
Financial assets that are debt instruments measured at amortised cost	11,397	14,741
Cash at bank	3,922	18,459
	<u>15,319</u>	<u>33,200</u>

Financial liabilities measured at fair value through profit or loss

	Group	
	2021	2020
	£000	£000
Financial liabilities measured at fair value through profit or loss	(14,638)	(10,016)

Financial liabilities measured at amortised cost

	Group	
	2021	2020
	£000	£000
Financial liabilities measured at amortised cost	(526,107)	(491,762)

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

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

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

23. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

24. RESERVES

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

Share capital

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

Share premium

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

Profit and loss account

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

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2021	Cash flows	Other non-cash changes	At 31 Dec 2021
	£000	£000	£000	£000
Cash at bank and in hand	18,459	(14,537)	—	3,922
Debt due within one year	(40)	40	—	—
Debt due after one year	(450,164)	—	(23,806)	(473,970)
	<u>(431,745)</u>	<u>(14,497)</u>	<u>(23,806)</u>	<u>(470,048)</u>

Non-cash movements relate to £23,806,000 interest accrued in current year relating to amounts owed to parent undertakings.

26. BUSINESS COMBINATIONS

Acquisition of Poppetts Limited

On 24 September 2021, Bright Horizons acquired Poppetts Limited for a consideration of £2,556,000, including deal fees of £93,000. Poppetts Limited operates a day nursery and out of school club in Shenfield, Essex.

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

	£000
Cash	2,463
Transaction costs	93
	<u>2,556</u>

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

26. BUSINESS COMBINATIONS *(continued)*

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

	Book value £000	Fair value adjustment £000	Fair value £000
Tangible assets acquired	422	(22)	400
Intangible assets acquired	–	460	460
Cash and cash equivalents acquired	158	–	158
Debtors falling due within one year	13	(9)	4
Creditors falling due within one year	(146)	(68)	(214)
Deferred tax on difference between fair value and tax losses	(9)	(116)	(125)
	438	245	683
Goodwill on acquisition			1,873
			<u>2,556</u>

The cash outflows on acquisition were as follows:

	£000
Purchase consideration settled in cash, as above	2,463
Transaction costs	93
Less: Cash and cash equivalent acquired	<u>(158)</u>
Net cash outflow on acquisition	<u>2,398</u>

The consolidated statement of comprehensive income for the financial year includes turnover of £329,000 and profit of £91,000 in respect of Poppetts Limited since the acquisition date.

Acquisition of Saurus Group

On 8 December 2021, Bright Horizons acquired Tinysaurus Nurseries Ltd and its wholly owned subsidiary Rose Cottage Day Nursery Limited (referred to as the Saurus Group) for a consideration of £24,782,000, including deal fees of £594,000. The Saurus group operates 12 day nurseries in the South of England.

The fair value of consideration paid in relation to the acquisition of Saurus Group is as follows:

	£000
Cash	24,188
Transaction costs	<u>594</u>
	<u>24,782</u>

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

26. BUSINESS COMBINATIONS *(continued)*

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

	Book value £000	Fair value adjustment £000	Fair value £000
Tangible assets acquired	2,295	—	2,295
Intangible assets acquired	—	2,830	2,830
Cash and cash equivalents acquired	1,236	—	1,236
Debtors falling due within one year	566	—	566
Creditors falling due within one year	(5,722)	(354)	(6,076)
Deferred tax on differences between fair value and tax losses	(35)	(719)	(754)
	(1,660)	1,757	97
Goodwill on acquisition			24,685
			<u>24,782</u>

The cash outflows on acquisition were as follows:

	£000
Purchase consideration settled in cash, as above	24,188
Transaction costs	594
Less: Cash and cash equivalent acquired	(1,236)
Net cash outflow on acquisition	<u>23,546</u>

The consolidated statement of comprehensive income for the financial year includes turnover of £570,000 and profit of £46,000 in respect of Saurus Group since the acquisition date.

27. CAPITAL COMMITMENTS

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Tangible assets	<u>6,828</u>	<u>3,686</u>	<u>—</u>	<u>—</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

28. OPERATING LEASES

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Not later than 1 year	19,675	19,078	—	—
Later than 1 year and not later than 5 years	63,910	65,566	—	—
Later than 5 years	71,598	74,587	—	—
	<u>155,183</u>	<u>159,231</u>	<u>—</u>	<u>—</u>

29. RELATED PARTY TRANSACTIONS

Company

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

Key management remuneration

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £1,878,766 (2020: £1,487,743).

30. CONTROLLING PARTY

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

The largest and smallest group in which the results of the company are consolidated is that headed by Bright Horizons Family Solutions Inc., incorporated in the United States of America. The consolidated accounts of this company are available to the public and may be obtained from The Secretary, Bright Horizons Family Solutions Inc., 200 Talcott Avenue South, Watertown, MA 02472, USA. No other group accounts include the results of the company.

BHFS One Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2021

31. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

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

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