

PARENT ACCOUNTS OF:

Pegasus Childcare Limited
Company Number: 06783100

BHFS One Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 03943330

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BHFS One Limited

Company Information

Directors	E Boland J Casagrande G Fee R Marshall
Company secretary	S Kramer
Registered number	03943330
Registered office	2 Crown Court Rushden England NN10 6BS
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

BHFS One Limited

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BHFS One Limited

Group Strategic Report For the Year Ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Review of business

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

We care for over 24,000 children each week. 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. Customer satisfaction levels are typically high, currently at 96% from parents and 100% from clients.

How we compare, based on Ofsted published data at 31st December 2019:

<https://www.gov.uk/government/publications/childcare-providers-and-inspections-as-at-31-december-2019/main-findings-childcare-providers-and-inspections-as-at-31-december-2019>

	Good and better %	Outstanding %
All Childcare providers	96	19
Bright Horizons	97	30

We have over 120 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. We have held the RoSPA (Royal Society for the Prevention of Accidents) Gold standard for 6 consecutive years, having been awarded the Gold Medal in recognition of 5 years at this level.

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.

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.

BHFS One Limited

Group Strategic Report (continued) For the Year Ended 31 December 2019

Strategy and objectives (continued)

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.

Key performance indicators

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

	2019	2018
Revenue £'000	297,367	278,348
Number of centres as at 31 December	313	318
Number of places (average for the year)	25,384	24,426
EBITDA £'000	46,715	41,188

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

We believe that 2019 was a successful year as we continued to execute on our growth and strategic plans. We grew our revenue by 7% from £278m in 2018 to £297m in 2019.

Our year-over-year improvement in revenue and operating income can be attributed to enrolment gains in ramping and mature centres, disciplined pricing strategies aimed at covering anticipated cost increases with tuition increases, contributions from new mature child care centres added through acquisitions or transitions of management, and expanded back-up services, including contributions from the acquisition of My Family Care in 2019.

Developments

In February 2019, Bright Horizons acquired My Family Care Limited – a back-up care provider in the United Kingdom. My Family Care offers emergency childcare, maternity and paternity coaching, and consultancy and training services. My Family Care is a company committed, like Bright Horizons, to supporting family-friendly workplaces through a combination of innovative technology and practical solutions.

In addition, four new nurseries, which were all community nurseries, were opened in 2019.

BHFS One Limited

Group Strategic Report (continued) For the Year Ended 31 December 2019

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.

Throughout 2019, the general economic environment in the UK remained volatile with Gross Domestic Product (GDP) rising at 1.4% on an annual basis, but in the final quarter of 2019, the UK economy stagnated, compared with a 0.5 percent expansion in the previous period. Household consumption was unchanged in the three months to December, marking the first period that it has not increased since the fourth quarter of 2015, while gross fixed capital formation dropped the most in nearly two years, led by a contraction in business investment.

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.

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.

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.

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Group Strategic Report (continued) For the Year Ended 31 December 2019

Principal risks and uncertainties (continued)

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, including the pace of re-opening temporarily closed centres, and the scale and duration of Government support, cannot be predicted and is affected by many interdependent variables and decisions by government authorities, parents' confidence and the Group's client partners. Given these factors, the Group expects the effects of COVID-19 to its business to continue to adversely impact the results of its operations in 2020, and potentially in subsequent periods.

Since the outbreak in March 2020, and the subsequent 'lock down', the Group has taken advantage of a number of Government initiatives aimed at minimising the impact of COVID-19 for businesses in the UK, including the business rates holiday in England, the Time To Pay Scheme and the Job Retention Scheme. Under the Job Retention Scheme, a significant portion of employees were sent on furlough in March and April 2020, in proportion to the number of centre closures, including centre personnel for temporarily closed centres and related support functions in the Group's corporate offices.

Section 172(1) Statement

The directors of Bright Horizons comply with their duty to promote the success of the company for the benefit of its members as a whole, having regard to:

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.

In February 2019, the Company acquired My Family Care, a technology driven employer based childcare business. The acquisition enabled us to provide a more comprehensive range of childcare offers to employers in order to support their employees manage the competing demands of family and working life, ranging from backup childcare, online educational activities and platforms to help expectant mothers to manage their work journey from pre maternity to returning to work.

BHFS One Limited

Group Strategic Report (continued) For the Year Ended 31 December 2019

Section 172(1) Statement (continued)

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 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.

During the year Bright Horizons made charitable donations of £34,239 (2018 - £31,227) to The Bright Horizons Foundation for Children.

The Board continues to encourage involvement of Bright Horizons employees and customers in supporting local communities. In September 2019, 24 Bright Horizons employees joined a fundraiser challenge and walked 25k over 16 London Bridges, raising £6.7k.

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 of our children on the importance of behaviour and its impact on the environment.

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.

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.

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.

In 2019 the Company invested in a comprehensive pay banding structure to ensure equality of pay levels across the company resulting in an above inflationary increase in pay to ensure we retain our staff and attract the very best.

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.

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Group Strategic Report (continued) For the Year Ended 31 December 2019

Qualifying third party indemnity provisions

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

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. Bright Horizons Family Solutions Inc. is quoted on the New York Stock Exchange with a market capitalisation of \$7.7bn as at 21 August 2020. 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 on Dec 3, 2020 and signed on its behalf.

Gary Fee

G Fee
Director

BHFS One Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies for the group's financial statements 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 group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Matters covered in the strategic report

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

Business review

A review of the business and its principal risks and uncertainties is set out in the Group Strategic Report within these financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £15,028,000 (2018 - loss £19,001,000).

The directors do not recommend the payment of a dividend for the year under review (2018 - £Nil).

BHFS One Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Directors

The directors who served during the year were:

E Boland
D Lissy (resigned 13 April 2020)
S Dreier (resigned 13 April 2020)
J Tugendhat (resigned 13 April 2020)
J Casagrande (appointed 13 April 2020)
G Fee (appointed 13 April 2020)
R Marshall (appointed 13 April 2020)

Post statement of financial position events

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. Throughout the lockdown, the Group continued to operate 35 critical health care client and "hub" centres to provide care and support services to the children and families of first responders, scientists, health care and medical professionals, and other essential workers, as well as the many support industries facilitating their work.

Following UK government announcement, a wider re-opening of centres commenced on 1 June 2020. These open centres are operating with special COVID-19 protocols in place in order to protect the health and safety of the children and staff, including social distancing procedures for pick-up and drop-off, daily health checks, the use of face masks by the Company's staff, limited capacity, and enhanced hygiene and cleaning practices. The Company's back-up care services remain operational and available to clients.

As at the signing date of the financial statements, the Company re-opened 299 child care and early education centres with the capacity to serve approximately 10,000 children and their families, and this is being reviewed on a regular basis as demand from parents is increasing.

Going concern

In the light of the coronavirus pandemic and the subsequent lock down in the UK, the directors have reviewed the current financial performance and the liquidity of the business.

Since the outbreak in March 2020, and the subsequent 'lock down', the Group has taken advantage of a number of Government initiatives aimed at minimising the impact of COVID-19 for businesses in the UK, including the business rates holiday in England, the Time To Pay Scheme and the Job Retention Scheme. Pulling these levers has been instrumental for keeping liquidity in the business during the lock down.

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 30 June 2020 shows a consolidated cash position of \$270m 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.

BHFS One Limited

Directors' Report (continued) For the Year Ended 31 December 2019

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 UK Corporate Governance Code for large privately-held businesses.

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 the director is aware, there is no relevant audit information of which the company and the group's auditor is 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 auditor is aware of that information.

Auditor

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

This report was approved by the board on Dec 3, 2020

and signed on its behalf.



G Fee
Director

BHFS One Limited

Independent Auditors' Report to the Member of BHFS One Limited

Opinion

We have audited the financial statements of BHFS One Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position and the Consolidated and Company Statement of Changes in Equity, and the 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).

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 2019 and of the Group's 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

BHFS One Limited

Independent Auditors' Report to the Member of BHFS One Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 and Director's 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BHFS One Limited

Independent Auditors' Report to the Member of BHFS One Limited (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determines 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's and the 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 or the 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.

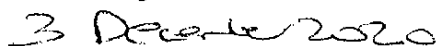
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



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



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

BHFS One Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	297,367	278,348
Cost of sales		(153,100)	(146,060)
Gross profit		144,267	132,288
Administrative expenses		(133,277)	(121,373)
Operating profit	5	10,990	10,915
Interest receivable and similar income	8	51	61
Interest payable and expenses	9	(22,297)	(23,766)
Loss before taxation		(11,256)	(12,790)
Taxation on loss on ordinary activities	10	(3,772)	(6,211)
Loss for the financial year		(15,028)	(19,001)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(15,028)	(19,001)

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited
Registered number: 03943330

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	11		216,419		209,464
Tangible fixed assets	12		181,503		182,827
			<u>397,922</u>		<u>392,291</u>
Current assets					
Debtors: amounts falling due after more than one year	14	439		443	
Debtors: amounts falling due within one year	14	14,378		11,114	
Cash at bank and in hand		5,002		2,851	
		<u>19,819</u>		<u>14,408</u>	
Creditors: amounts falling due within one year	15	(35,637)		(39,503)	
Net current liabilities			<u>(15,818)</u>		<u>(25,095)</u>
Total assets less current liabilities			<u>382,104</u>		<u>367,196</u>
Creditors: amounts falling due after more than one year	16		(438,431)		(406,881)
Provisions for liabilities					
Deferred taxation	19	(6,705)		(6,890)	
Other provisions	21	(3,892)		(5,321)	
			<u>(10,597)</u>		<u>(12,211)</u>
Net liabilities			<u>(66,924)</u>		<u>(51,896)</u>
Capital and reserves					
Called up share capital	22		-		-
Share premium account	23		7,125		7,125
Profit and loss account	23		(74,049)		(59,021)
Equity attributable to owners of the parent company			<u>(66,924)</u>		<u>(51,896)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
Dec 3, 2020

Gary Fee

G Fee
Director

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited
Registered number: 03943330

Company Statement of Financial Position
As at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	13		306,536		306,536
			<u>306,536</u>		<u>306,536</u>
Current assets					
Debtors: amounts falling due within one year	14	4,408		4,408	
Creditors: amounts falling due within one year	15	(1,362)		(362)	
Net current assets			<u>3,046</u>		<u>4,046</u>
Total assets less current liabilities			<u>309,582</u>		<u>310,582</u>
Creditors: amounts falling due after more than one year	16		(427,446)		(406,881)
Net liabilities			<u>(117,864)</u>		<u>(96,299)</u>
Capital and reserves					
Called up share capital	22		-		-
Share premium account	23		7,125		7,125
Profit and loss account	23		(124,989)		(103,424)
			<u>(117,864)</u>		<u>(96,299)</u>

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 after tax for the parent company for the year was £21,565,000 (2018 - £23,766,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on Dec 3, 2020

Gary Fee

G Fee
Director

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	7,125	(59,021)	(51,896)
Comprehensive loss for the year				
Loss for the year	-	-	(15,028)	(15,028)
Total comprehensive loss for the year	-	-	(15,028)	(15,028)
At 31 December 2019	-	7,125	(74,049)	(66,924)

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	-	7,125	(40,020)	(32,895)
Comprehensive loss for the year				
Loss for the year	-	-	(19,001)	(19,001)
Total comprehensive loss for the year	-	-	(19,001)	(19,001)
At 31 December 2018	-	7,125	(59,021)	(51,896)

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	7,125	(103,424)	(96,299)
Comprehensive loss for the year				
Loss for the year	-	-	(21,565)	(21,565)
Total comprehensive loss for the year	-	-	(21,565)	(21,565)
At 31 December 2019	-	7,125	(124,989)	(117,864)

Company Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	-	7,125	(79,658)	(72,533)
Comprehensive loss for the year				
Loss for the year	-	-	(23,766)	(23,766)
Total comprehensive loss for the year	-	-	(23,766)	(23,766)
At 31 December 2018	-	7,125	(103,424)	(96,299)

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Loss for the financial year	(15,028)	(19,001)
Adjustments for:		
Amortisation of intangible assets	20,275	16,566
Depreciation of tangible fixed assets	15,450	13,498
(Profit)/loss on disposal of tangible fixed assets	(461)	1,194
Interest payable	22,296	23,766
Interest receivable	(51)	(61)
Taxation charge	3,772	6,211
(Increase)/decrease in debtors	(1,720)	8,344
(Decrease)/increase in creditors	(7,567)	3,386
Decrease in provisions	(2,670)	(1,225)
Share based payments charge	787	775
Corporation tax (paid)	(3,350)	(2,158)
Interest paid	(1,000)	-
Net cash generated from operating activities	30,733	51,295
Cash flows from investing activities		
Cash acquired with business combinations	1,054	2,704
Cash paid to acquire business combinations	(14,370)	(32,800)
Payments to acquire tangible fixed assets	(17,183)	(26,459)
Sale of tangible fixed assets	2,126	-
Payments to acquire intangible fixed assets	(209)	-
Net cash used in investing activities	(28,582)	(56,555)
Net increase/(decrease) in cash and cash equivalents	2,151	(5,260)
Cash and cash equivalents at beginning of year	2,851	8,111
Cash and cash equivalents at the end of year	5,002	2,851
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,002	2,851
	5,002	2,851

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited

Consolidated Analysis of Net Debt For the Year Ended 31 December 2019

	At 1 January 2019 £000	Cash flows £000	Acquisition and disposal of subsidiaries £000	At 31 December 2019 £000
Cash at bank and in hand	2,851	1,097	1,054	5,002
Debt due after 1 year	(406,881)	(20,565)	-	(427,446)
	<u>(404,030)</u>	<u>(19,468)</u>	<u>1,054</u>	<u>(422,444)</u>

The notes on pages 20 to 46 form part of these financial statements.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

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 company information page. The nature of the Group's operations and its principal activities are outlined in the Group Strategic Report.

2. Accounting policies

2.1 Going concern

In the light of the coronavirus pandemic and the subsequent lock down in the UK, the directors have reviewed the current financial performance and the liquidity of the business.

Since the outbreak in March 2020, and the subsequent 'lock down', the Group has taken advantage of a number of Government initiatives aimed at minimising the impact of COVID-19 for businesses in the UK, including the business rates holiday in England, the Time To Pay Scheme and the Job Retention Scheme. Pulling these levers has been instrumental for keeping liquidity in the business during the lock down.

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 30 June 2020 shows a cash position of \$270m 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.

2.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 3).

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.

The following principal accounting policies have been applied:

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Basis of 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 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.

2.4 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.

2.5 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 company's nurseries.

2.6 Intangible assets

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.

Other intangible assets and trademarks

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

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

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.

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.

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

Estimated useful lives of acquisition-related intangible assets:

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

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.

2.7 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Freehold property	- 2.5% straight line
Freehold building improvements	- 10% or expected life of the asset whichever is shorter
Leasehold buildings	- Over the term of the lease
Leasehold improvements	- Over 15 years or the remaining term of the lease whichever is shorter
Motor vehicles	- 25% straight line
Fixtures and fittings	- 14% straight line
Equipment	- 10% - 33% straight line

2.8 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 For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 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.

2.11 Interest income

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

2.12 Finance costs

Finance costs are charged to the 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.

2.13 Current and deferred taxation

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

Current tax is measured at amounts expected to be paid using the tax rate and laws that have been enacted or substantially enacted by the statement of financial position date.

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 the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.14 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 statement of comprehensive income over the term of the lease.

2.15 Pensions

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

2.16 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the 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 Statement of Comprehensive Income in the same period as the related expenditure.

2.17 Provisions for liabilities

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.

2.18 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

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 Financial instruments (continued)

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.

2.19 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'.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.20 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.

2.21 Comparative reclassification

In the prior year there was an error in respect of the classification of fixed assets. As a result the comparative information has been restated.

The impact was to increase Motor vehicle costs b/f by £42,000 and Freehold land and buildings cost b/f by £1,837,000, and decrease Fixtures and fittings cost b/f by £42,000 and Assets in the course of construction cost b/f by £1,837,000. The adjustment also resulted in an increase to Motor vehicles depreciation b/f by £33,000 and a reduction to Fixture and fittings depreciation b/f by £33,000.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

3. Judgments in applying accounting policies 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. 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.
- 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:

Discount rates

The discount rate is a pre-tax adjusted discount rate and reflects management's estimate of the Group's weighted average cost of capital. In 2019 the weighted average cost of capital 'WACC' was 4.72% (2018 - 8%).

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.

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 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.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Turnover

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

5. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	15,450	13,707
Amortisation of intangible assets	20,275	16,566
(Profit)/Loss on disposal of tangible fixed assets	(461)	1,098
Operating lease expense	21,494	20,387
Share based payments	787	775
Defined contribution pension cost	4,391	2,577
Fees payable to the Group's auditors and its associates for other services to the group:		
- The audit of the Group's subsidiaries pursuant to legislation	185	237
- Taxation compliance services	110	96
- Non-audit services	72	85

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

6. Employees

Staff costs (including directors) were as follows:

	Group 2019 £000	Group 2018 £000
Wages and salaries	150,900	141,310
Social security costs	11,028	9,574
Cost of defined contribution scheme	4,391	2,577
	166,319	153,461

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Nursery staff	9,644	9,081
Administrative staff	481	394
	10,125	9,475

The company has no employees or staff costs.

7. Directors' remuneration

One director received emoluments during the current year totalling £392,369 (2018 - £339,725).

There were no directors in the group's defined contribution pension scheme during the year. These contributions totalled £Nil (2018 - £Nil).

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

8. Interest receivable

	2019 £000	2018 £000
Bank interest receivable	51	61
	51	61

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Interest payable and similar expenses

	2019 £000	2018 £000
Loans from group companies	22,297	23,766
	<u>22,297</u>	<u>23,766</u>

10. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on losses for the year	3,783	3,410
Adjustments in respect of previous periods	113	(226)
Total current tax	<u>3,896</u>	<u>3,184</u>
Deferred tax		
Origination and reversal of timing differences	(16)	366
Adjustments in respect of prior periods	(108)	2,661
Total deferred tax	<u>(124)</u>	<u>3,027</u>
Taxation on loss on ordinary activities	<u>3,772</u>	<u>6,211</u>

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	(11,256)	(12,792)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(2,139)	(2,430)
Effects of:		
Non deductible amortisation of goodwill and impairment	4,767	3,747
Expenses not deductible for tax purposes	1,563	1,919
Adjustments to tax charge in respect of previous periods	113	(226)
Adjustments to tax charge in respect of previous periods - deferred tax	(108)	2,661
Deferred tax not recognised	(21)	482
Other differences	(639)	(247)
Capital gains and losses	299	305
Adjust closing deferred tax to average rate	(531)	-
Adjust opening deferred tax to average rate	468	-
Total tax charge for the year	3,772	6,211

For further information on deferred tax balances see note 19.

Factors that may affect future tax charges

The UK corporation tax rate was 19% in the year to 31 December 2019 and this rate has been used for the purposes of preparing the tax disclosures. The tax rate was due to reduce to 17% on 1 April 2020, however, the Government announced in the March 2020 Budget that the rate would remain at 19% and not reduce to 17% as previously expected. As the 19% rate was not substantively enacted until 17 March 2020, the deferred tax balances have been calculated at 17%, this being the rate substantively enacted at the date of the Statement of Financial Position. The impact of the change in rate on deferred tax assets and liabilities will therefore be reflected in the 2020 financial statements.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Intangible assets

Group and Company

	Customer relationships £000	Trade names £000	Capitalised development costs £000	Goodwill £000	Total £000
Cost					
At 1 January 2019	17,509	2,757	-	267,857	288,123
Additions	-	-	209	-	209
On acquisition of subsidiaries	6,100	100	1,100	19,721	27,021
At 31 December 2019	23,609	2,857	1,309	287,578	315,353
Amortisation					
At 1 January 2019	7,212	1,063	-	70,384	78,659
Charge for the year	4,641	791	369	14,474	20,275
At 31 December 2019	11,853	1,854	369	84,858	98,934
Net book value					
At 31 December 2019	11,756	1,003	940	202,720	216,419
At 31 December 2018	10,297	1,694	-	197,473	209,464

The estimated useful lives and key judgements for analysis of the intangible assets are disclosed in note 2.6 of the accounting policies.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets								
Group								
		Freehold land and buildings £000	Leasehold land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation								
At 1 January 2019 (as previously stated)		126,685	66,333	-	22,144	16,805	6,561	238,528
Prior Year Reclassification		1,837	-	42	(42)	-	(1,837)	-
At 1 January 2019 (as restated)		128,522	66,333	42	22,102	16,805	4,724	238,528
Additions		2,779	327	-	4,499	5,567	4,011	17,183
Acquisition of subsidiary		-	151	-	15	22	-	188
Disposals		(3,068)	(720)	-	(795)	(724)	-	(5,307)
Transfers between classes		(734)	5,102	-	60	276	(4,704)	-
At 31 December 2019		127,499	71,193	42	25,881	21,946	4,031	250,592
Depreciation								
At 1 January 2019 (as previously stated)		9,271	24,909	-	11,750	9,771	-	55,701
Prior Year Reclassification		-	-	33	(33)	-	-	-
At 1 January 2019 (as restated)		9,271	24,909	33	11,717	9,771	-	55,701
Charge for the year on owned assets		2,301	5,594	5	4,326	3,224	-	15,450
Disposals		(249)	(591)	-	(603)	(619)	-	(2,062)
At 31 December 2019		11,323	29,912	38	15,440	12,376	-	69,089

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets (continued)

Net book value						
At 31 December 2019	116,176	41,281	4	10,441	9,570	181,503
At 31 December 2018 (as restated)	119,251	41,424	9	10,385	7,034	182,827

Freehold land totalling £56,618,000 (2018 - £57,148,000) has not been depreciated.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Fixed asset investments

Subsidiary undertakings, associated undertakings and other investments

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

Name	Class of shares	Holding	Principal activity
Direct subsidiary undertakings:			
BHFS Two Limited	Ordinary	100%	Holding company
Intermediate holding companies:			
Active Learning Childcare (Guernsey) Limited *	Ordinary	100%	Dormant
Teddies Childcare Provision Limited *	Ordinary	100%	Dormant
Conchord Limited *	Ordinary	100%	Holding company
Yellow Dot Holdings Limited *	Ordinary	100%	Holding company
Magic Nursery Group Limited *	Ordinary	100%	Holding company
Trading subsidiary:			
Bright Horizons Family Solutions Limited	Ordinary	100%	Nursery services

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 30 for a full list of the company's subsidiaries.

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019	306,536
At 31 December 2019	<u>306,536</u>

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

14. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due after more than one year				
Other debtors	439	443	-	-
	439	443	-	-
Due within one year				
Trade debtors	5,558	3,409	-	-
Amounts owed by group undertakings	724	20	4,408	4,408
Other debtors	2,739	2,848	-	-
Prepayments and accrued income	5,357	4,837	-	-
	14,378	11,114	4,408	4,408

All amounts owed by group undertakings are 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.

The group and company have unprovided deferred tax assets in respect of accrued loans interest of £2,852,837 (2018 - £1,862,593).

15. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade creditors	2,785	2,867	-	-
Amounts owed to group undertakings	-	6,125	1,362	362
Corporation tax	960	1,050	-	-
Other taxation and social security	3,557	3,339	-	-
Other creditors	3,989	3,189	-	-
Accruals and deferred income	24,346	22,933	-	-
	35,637	39,503	1,362	362

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

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

16. Creditors: Amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amount owed to parent undertaking	427,446	406,881	427,446	406,881
Other creditors	10,985	-	-	-
	<u>438,431</u>	<u>406,881</u>	<u>427,446</u>	<u>406,881</u>

Amount owed to parent undertaking of £427,445,874 (2018 - £406,881,165) relates to loan notes payable to the ultimate parent undertaking. Cumulative accrued interest rolled up to date on these loan notes totals £133,025,092 (2018 - £111,460,383), including £21,564,709 (2018 - £23,765,787) relating to interest accrued in the current year.

The amount consists of two notes of £396,010,286 (2018 - £375,773,137) payable to Bright Horizons Family Solutions Inc and £31,435,598 (2018 - £31,108,018) payable to BHFS BV Netherlands. Both notes accrue interest at 5.28% per annum and are repayable on 31 December 2028.

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

At the reporting date, the fair value of the contingent consideration was £10,985k. The fair value of the contingent consideration recorded in the year ended 31 December 2019 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.

The fair value of the contingent consideration at 31 December 2019 does not incorporate any impacts of COVID-19 as this is deemed a non-adjusting post balance sheet event.

17. Loans

The maturity of sources of debt finance are as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due after more than 5 years				
Group loans and overdrafts	427,446	406,881	427,446	406,881
	<u>427,446</u>	<u>406,881</u>	<u>427,446</u>	<u>406,881</u>

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Financial instruments

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>14,818</u>	<u>9,514</u>	<u>4,408</u>	<u>4,408</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(460,313)</u>	<u>(441,937)</u>	<u>(428,808)</u>	<u>(407,243)</u>

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

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

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

19. Deferred taxation

Group

	2019 £000	2018 £000
At beginning of year	6,890	3,840
(Credited)/charged to profit or loss	(124)	2,329
(Credited)/charged to other comprehensive income	(61)	721
At end of year	6,705	6,890

	Group 2019 £000	Group 2018 £000
Accelerated capital allowances	1,539	1,162
Tax losses carried forward	(134)	(147)
Short term timing differences	(98)	(42)
Capital gains	4,238	4,172
Intangible assets - parent relationships	1,160	1,745
	6,705	6,890

20. 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 vest or exercisability of the award.

During the 12 months to 31 December 2019 the group issued 71,800 long term incentive options (2018 - 53,240) 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 52,125 (2018 - 23,025) had vested and 7,000 were exercised at the end of the year.

The number of options exercised during the year was 7,000 (2018 - 1,250).

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 5 years of the parent company's stock.

The fair value of the options granted and recognised in the year was £786,607 (2018 - £775,078).

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

21. Provisions

Group

	Dilapidation provision £000	Onerous lease provision £000	Total £000
At 1 January 2019	2,982	2,339	5,321
Charged to profit or loss	864	-	864
Utilised in year	(958)	(1,335)	(2,293)
At 31 December 2019	2,888	1,004	3,892

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. The provision is expected to be utilised as the leases terminate.

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.

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 Ordinary shares shares of £1.00 each	100	100

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

23. 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.

24. Capital commitments

At 31 December 2019 the group and company had capital commitments as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Contracted for but not provided in these financial statements	5,568	9,407	5,568	9,407

25. Pension commitments

Defined contribution scheme

The amount recognised in the statement of comprehensive income as an expense in relation to the group's defined contribution schemes is £4,391,000 (2018 - £2,577,000). There were amounts owing at the year end of £827,000 (2018 - £Nil).

26. Commitments under operating leases

At 31 December 2019 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	Group 2018 £000
Not later than 1 year	19,185	18,069
Later than 1 year and not later than 5 years	69,503	69,644
Later than 5 years	85,026	168,737
	173,714	256,450

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

27. Related party transactions

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 £2,528,156 (2018 - £10,607,441).

28. Post statement of financial position events

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. Throughout the lockdown, the Group continued to operate 35 critical health care client and "hub" centres to provide care and support services to the children and families of first responders, scientists, health care and medical professionals, and other essential workers, as well as the many support industries facilitating their work.

Following UK government announcement, a wider re-opening of centres commenced on 1 June 2020. These open centres are operating with special COVID-19 protocols in place in order to protect the health and safety of the children and staff, including social distancing procedures for pick-up and drop-off, daily health checks, the use of face masks by the Company's staff, limited capacity, and enhanced hygiene and cleaning practices. The Company's back-up care services remain operational and available to clients.

As at the signing date of the financial statements, the Company re-opened 299 child care and early education centres with the capacity to serve approximately 10,000 children and their families, and this is being reviewed on a regular basis as demand from parents is increasing.

29. 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 For the Year Ended 31 December 2019

30. Subsidiary undertakings

The following were subsidiary undertakings of the company:

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

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

30. Subsidiary undertakings (continued)

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

* 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.

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

31. Business combinations

Acquisition of My Family Care Limited

On 1 February 2019 the Group acquired My Family Care Limited for consideration of £26,389,000, including deal fees of £335,000.

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 following table:

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustment £000	Fair value £000
Fixed assets			
Tangible	252	(19)	233
Intangibles	578	6,722	7,300
	<u>830</u>	<u>6,703</u>	<u>7,533</u>
Current assets			
Debtors	1,560	(22)	1,538
Cash at bank and in hand	1,554	(500)	1,054
Total assets	<u>3,944</u>	<u>6,181</u>	<u>10,125</u>
Creditors			
Due within one year	(2,742)	526	(2,216)
Deferred tax on differences between fair value and tax losses	-	(1,241)	(1,241)
Total identifiable net assets	<u>1,202</u>	<u>5,466</u>	<u>6,668</u>
Goodwill			19,721
Total purchase consideration			<u>26,389</u>

BHFS One Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

31. Business combinations (continued) Consideration

	£000
Cash	14,370
Option holders subscription price	250
Promissory note	1,000
Transaction costs	369
Contingent consideration	10,400
Total purchase consideration	26,389

On 1 February 2019 the group 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 £10,985,000. The fair value of the contingent consideration recorded in the year ended 31 December 2019 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.

The fair value of the contingent consideration at 31 December 2019 does not incorporate any impacts of covid-19 as this is deemed a non-adjusting post balance sheet event.

Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	14,370
Transaction costs	333
	14,703
Less: Cash and cash equivalents acquired	(1,054)
Net cash outflow on acquisition	13,649

The results of My Family Care Limited since its acquisition are as follows:

	Current period since acquisition £000
Turnover	5,683
Profit for the year	421