

Company Registration No. 08685288 (England and Wales)

BHCF2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019



BHCF2 LIMITED

COMPANY INFORMATION

Directors	Margaret Mason OBE Hugh Mason Adrian Mason Alan Mason Jacqueline Mason	 (Appointed 6 September 2019) (Appointed 6 September 2019) (Appointed 6 September 2019)
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Company number	08685288
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Registered office	Mayfield House 1 Nottingham Road Long Eaton Nottingham Nottinghamshire NG10 1HQ
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Auditor	Mercer & Hole Silbury Court 420 Silbury Boulevard Central Milton Keynes Buckinghamshire MK9 2AF
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BHCF2 LIMITED

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BHCF2 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2019

The directors present the strategic report and financial statements for the year ended 31 July 2019.

Fair review of the business

Work has continued afoot during 2019 further enhancing and developing the facilities and environments for our children. Work was finally completed on the remodeling of the acquisitions made at the end of 2017, which has seen the 3 nurseries transformed with the number of places available increasing by 74. This work has been a great success and has seen a 25% increase across the 3 settings during this period.

Although there were no new acquisitions during the year there was further enhancement of our existing settings at Bilborough and Plumtree which has seen available places increase by 131 to 2,657 across the group. We will continue with our consolidation through the forthcoming year and further strengthen the Management team. This will ensure we have a strong base and infrastructure for future developments.

The group's growth continued to improve and saw a 9% increase in turnover, however 40.4% of this increase was from the government initiative of 'FREE' places, for which funding for these places is falling further and further behind the true cost of providing the place. This coupled with NMW increasing above the level of inflation has again eroded the GP from 49.2% to 47.6%.

The upcoming year is going to be a further challenge for the group as more pressure will be put on margins. We will however continue investing in the nurseries and strive to ensure the most stimulating and exciting environments are available to all of the children who attend Children 1st.

Principal risks and uncertainties and matters of strategic importance

The principal risks facing the group can broadly be grouped as competitive, legislative and financial.

Competitive

The main competitive risk relates to the ability of the group's nurseries to continue to meet and exceed the needs of parents and therefore continue to attract customers in their area and gain an advantage over their competitors. To this end, all the group's nurseries are committed to provide a warm, homely environment where skilled experienced staff provide exciting learning experiences and opportunities that promote the all round development of children both educationally and socially.

Legislative

The quality of service provided in the education sector continues to be under public scrutiny. The group has an excellent reputation within the marketplace however and continues to meet the requirements of the Office for Standards in Education, Children's Services and Skills (Ofsted). The group has a high proportion of nurseries with an Ofsted rating of "Outstanding".

Financial

The group's main financial instruments comprised of cash, loans and trade creditors. The main purpose of these instruments is to provide funding for the group's operations. There are limited risks arising to the group as a result of these instruments and the directors agree policies for the management of these instruments which are detailed below:

a) Credit risk - the group's contract terms to customers stipulate that fees must be paid in advance and therefore any credit risk is considered to be minimal. Where fees are not paid as per the contract, the group has procedures in place to ensure any issues are addressed in a timely manner.

BHCF2 LIMITED


STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

Principal risks and uncertainties and matters of strategic importance (continued)

b) Liquidity risk - the group seeks to manage and minimise financial risk by ensuring that sufficient liquidity is available at all times to meet foreseeable needs and by investing cash assets safely and profitably.

On behalf of the board


.....
Margaret Mason OBE
Director
.....
28 February 2020

BHCF2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2019

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

Principal activities

The principal activity of the group during the year continued to be that of owning and running children's nurseries. The group had 24 nurseries in operation at 31 July 2019.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Margaret Mason OBE

Hugh Mason

Adrian Mason

(Appointed 6 September 2019)

Alan Mason

(Appointed 6 September 2019)

Jacqueline Mason

(Appointed 6 September 2019)

Results and dividends

The results for the year are set out on page 8.

During the year an interim ordinary dividend was paid amounting to £1,295,784 (2018: £1,311,407). The directors do not recommend payment of a final dividend.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor

The auditor, Mercer & Hole, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

BHCF2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

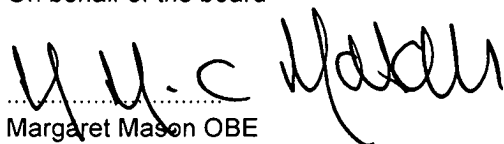
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board


Margaret Mason OBE
Director

Date: 28 February 2020

BHCF2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BHCF2 LIMITED

Opinion

We have audited the financial statements of BHCF2 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group 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 FRS 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 the parent company's affairs as at 31 July 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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's 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.

Other information

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

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

We have nothing to report in this regard.

BHCF2 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BHCF2 LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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 the directors' report.

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BHCF2 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BHCF2 LIMITED

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.



Paul Maberly FCA (Senior Statutory Auditor)
for and on behalf of Mercer & Hole

18 March 2020

Chartered Accountants
Statutory Auditor

Silbury Court
420 Silbury Boulevard
Central Milton Keynes
Buckinghamshire
MK9 2AF

BHCF2 LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £	2018 £
Turnover	3	18,687,929	17,156,224
Cost of sales		(9,792,431)	(8,720,015)
Gross profit		8,895,498	8,436,209
Administrative expenses		(5,875,866)	(4,950,611)
Operating profit	4	3,019,632	3,485,598
Interest receivable and similar income	7	139,003	2,884
Interest payable and similar expenses	8	(254,629)	(231,848)
Profit before taxation		2,904,006	3,256,634
Tax on profit	9	(751,916)	(779,850)
Profit for the financial year	22	2,152,090	2,476,784

Profit for the financial year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BHCF2 LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2019

	2019 £	2018 £
Profit for the year	2,152,090	2,476,784
Other comprehensive income		
Tax relating to other comprehensive income	9,085	18,503
Total comprehensive income for the year	<u>2,161,175</u>	<u>2,495,287</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.


BHCF2 LIMITED

GROUP BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	11	6,711,027		7,096,172	
Tangible assets	12	18,567,891		17,606,414	
Investments	13	1,692,190		-	
		<u>26,971,108</u>		<u>24,702,586</u>	
Current assets					
Debtors	15	1,283,554		1,087,381	
Cash at bank and in hand		1,144,931		11,553,835	
		<u>2,428,485</u>		<u>12,641,216</u>	
Creditors: amounts falling due within one year	16	<u>(3,706,865)</u>		<u>(12,271,231)</u>	
Net current (liabilities)/assets			<u>(1,278,380)</u>		<u>369,985</u>
Total assets less current liabilities			<u>25,692,728</u>		<u>25,072,571</u>
Creditors: amounts falling due after more than one year	17		(8,214,795)		(8,576,277)
Provisions for liabilities	19		<u>(841,850)</u>		<u>(725,602)</u>
Net assets			<u><u>16,636,083</u></u>		<u><u>15,770,692</u></u>
Capital and reserves					
Called up share capital	21		100		100
Revaluation reserve	22		4,423,195		4,427,439
Other reserves	22		6,389,903		6,389,903
Profit and loss reserves	22		5,822,885		4,953,250
Total equity			<u><u>16,636,083</u></u>		<u><u>15,770,692</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28 February 2020 and are signed on its behalf by:


 Margaret Mason OBE
 Director

BHCF2 LIMITED

COMPANY BALANCE SHEET

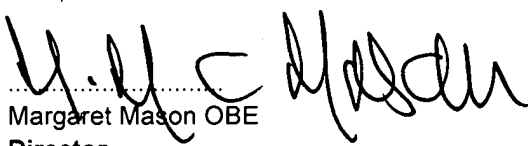
AS AT 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Investments	13		99		99
Current assets					
Debtors	15	1,945,784		4,795,763	
Cash at bank and in hand		1		1	
		<u>1,945,785</u>		<u>4,795,764</u>	
Creditors: amounts falling due within one year	16	<u>(1,945,784)</u>		<u>(4,795,763)</u>	
Net current assets			<u>1</u>		<u>1</u>
Total assets less current liabilities			<u>100</u>		<u>100</u>
Capital and reserves					
Called up share capital	21		<u>100</u>		<u>100</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,295,784 (2018: £1,311,407).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28 February 2020 and are signed on its behalf by:


Margaret Mason OBE
Director

Company Registration No. 08685288

BHCF2 LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Notes	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 August 2017		100	4,422,265	6,389,903	3,774,544	14,586,812
Year ended 31 July 2018:						
Profit for the year		-	-	-	2,476,784	2,476,784
Other comprehensive income:						
Tax relating to other comprehensive income		-	18,503	-	-	18,503
Total comprehensive income for the year		-	18,503	-	2,476,784	2,495,287
Dividends (see note 25)	10	-	-	-	(1,311,407)	(1,311,407)
Transfers		-	(13,329)	-	13,329	-
Balance at 31 July 2018		100	4,427,439	6,389,903	4,953,250	15,770,692
Year ended 31 July 2019:						
Profit for the year		-	-	-	2,152,090	2,152,090
Other comprehensive income:						
Tax relating to other comprehensive income		-	9,085	-	-	9,085
Total comprehensive income for the year		-	9,085	-	2,152,090	2,161,175
Dividends	10	-	-	-	(1,295,784)	(1,295,784)
Transfers		-	(13,329)	-	13,329	-
Balance at 31 July 2019		100	4,423,195	6,389,903	5,822,885	16,636,083

BHCF2 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 August 2017		100	-	100
Year ended 31 July 2018:				
Profit and total comprehensive income for the year see (see note 25)		-	1,311,407	1,311,407
Dividends (see note 25)	10	-	(1,311,407)	(1,311,407)
Balance at 31 July 2018		100	-	100
Year ended 31 July 2019:				
Profit and total comprehensive income for the year		-	1,295,784	1,295,784
Dividends	10	-	(1,295,784)	(1,295,784)
Balance at 31 July 2019		100	-	100

BHCF2 LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	27	4,094,966		4,733,007	
Interest paid		(254,629)		(231,848)	
Income taxes paid		(767,043)		(770,860)	
Net cash inflow from operating activities		<u>3,073,294</u>		<u>3,730,299</u>	
Investing activities					
Purchase of tangible fixed assets		(1,570,510)		(849,274)	
Proceeds on disposal of tangible fixed assets		-		1,905	
Purchase of fixed asset investments		(1,600,600)		-	
Loans repaid		134,936		258,382	
Interest received		47,413		2,884	
Net cash used in investing activities		<u>(2,988,761)</u>		<u>(586,103)</u>	
Financing activities					
Proceeds of new bank loans		-		8,738,172	
Repayment of bank loans		(9,197,653)		(544,962)	
Dividends paid to equity shareholders		(1,295,784)		(1,311,407)	
Net cash (used in)/generated from financing activities		<u>(10,493,437)</u>		<u>6,881,803</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(10,408,904)</u>		<u>10,025,999</u>	
Cash and cash equivalents at beginning of year		11,553,835		1,527,836	
Cash and cash equivalents at end of year		<u><u>1,144,931</u></u>		<u><u>11,553,835</u></u>	

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

Company information

BHCF2 Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Mayfield House, 1 Nottingham Road, Long Eaton, Nottingham, Nottinghamshire, NG10 1HQ.

The group consists of BHCF2 Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,295,784 (2018: £1,311,407).

The consolidated financial statements incorporate those of BHCF2 Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 July 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors have reviewed the trading and cashflow forecasts for the forthcoming year. Based on these forecasts the directors believe that the group can continue to meet its obligations as they fall due and that it is therefore appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration receivable excluding discounts and rebates. Revenue in respect of the provision of nursery care is recognised as the services are provided.

1.4 Intangible fixed assets - goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets.

Where the fair value of the consideration exceeds the fair value of the separable net assets, the difference is treated as purchased goodwill and is capitalised and amortised through the profit and loss account over its estimated economic life of 20 years.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	15% straight line
Leasehold improvements	Over the term of the lease
Plant and machinery	15% and 33% reducing balance
Fixtures, fittings & equipment	15% and 33% reducing balance
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

The group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Provision of nursery care	18,687,929	17,156,224

	2019 £	2018 £
Other significant revenue		
Interest income and gains on investments measured at fair value	139,003	2,884

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	18,687,929	17,156,224

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	609,033	485,168
(Profit)/loss on disposal of tangible fixed assets	-	17,354
Amortisation of intangible assets	385,145	634,501
Operating lease charges	283,075	253,808

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	3,000	3,000
Audit of the financial statements of the company's subsidiaries	14,000	14,000
	<u>17,000</u>	<u>17,000</u>
For other services		
All other non-audit services	<u>51,026</u>	<u>62,608</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Administration	46	43	2	2
Nursery	622	588	-	-
	<u>668</u>	<u>631</u>	<u>2</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	9,017,564	8,141,236	-	-
Social security costs	491,149	436,595	-	-
Pension costs	128,557	57,391	-	-
	<u>9,637,270</u>	<u>8,635,222</u>	<u>-</u>	<u>-</u>

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	7,176	2,004
Other interest income	40,237	-
	<u>47,413</u>	<u>2,884</u>
Total interest revenue		
	47,413	2,884
Other income from investments		
Gains on financial instruments measured at fair value through profit or loss	91,590	-
	<u>139,003</u>	<u>2,884</u>
Total income		
	<u>139,003</u>	<u>2,884</u>
Investment income includes the following:		
Interest on financial assets measured at fair value through profit or loss	91,590	-
	<u>91,590</u>	<u>-</u>

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	252,109	231,848
Other interest	2,520	-
	<u>254,629</u>	<u>231,848</u>
Total finance costs		
	<u>254,629</u>	<u>231,848</u>

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	633,209	817,965
Adjustments in respect of prior periods	(6,626)	394
	<u>626,583</u>	<u>818,359</u>
Total current tax		
	<u>626,583</u>	<u>818,359</u>
Deferred tax		
Origination and reversal of timing differences	125,333	(38,509)
	<u>125,333</u>	<u>(38,509)</u>
Total tax charge		
	<u>751,916</u>	<u>779,850</u>

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	2,904,006	3,256,634
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	551,761	618,760
Tax effect of expenses that are not deductible in determining taxable profit	86,063	22,164
Effect of change in corporation tax rate	42,178	4,294
Depreciation on assets not qualifying for tax allowances	78,540	134,238
Under/(over) provided in prior years	(6,626)	394
Tax expense for the year	751,916	779,850

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on: Revaluation of property	9,085	18,503

10 Dividends

	2019 £	2018 £
Final paid	1,295,784	1,311,407

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 August 2018 and 31 July 2019	12,626,030
Amortisation and impairment	
At 1 August 2018	5,529,858
Amortisation charged for the year	385,145
At 31 July 2019	5,915,003
Carrying amount	
At 31 July 2019	6,711,027
At 31 July 2018	7,096,172

The company had no intangible fixed assets at 31 July 2019 or 31 July 2018.

12 Tangible fixed assets

Group	Freehold buildings	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 August 2018	14,780,797	1,957,106	1,032,446	1,942,314	27,782	19,740,445
Additions	-	775,780	84,459	710,271	-	1,570,510
At 31 July 2019	14,780,797	2,732,886	1,116,905	2,652,585	27,782	21,310,955
Depreciation and impairment						
At 1 August 2018	288,523	759,330	331,914	745,809	8,455	2,134,031
Depreciation charged in the year	66,007	194,207	85,895	258,713	4,211	609,033
At 31 July 2019	354,530	953,537	417,809	1,004,522	12,666	2,743,064
Carrying amount						
At 31 July 2019	14,426,267	1,779,349	699,096	1,648,063	15,116	18,567,891
At 31 July 2018	14,492,274	1,197,776	696,992	1,196,505	19,327	17,606,414

The company had no tangible fixed assets at 31 July 2019 or 31 July 2018.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries		-	-	99	99
Unlisted investments		1,692,190	-	-	-
		<u>1,692,190</u>	<u>-</u>	<u>99</u>	<u>99</u>

Movements in fixed asset investments

Group	Investments other than loans £	Other investments £	Total £
Cost or valuation			
At 1 August 2018	-	150,000	150,000
Additions	1,600,600	-	1,600,600
Valuation changes	91,590	-	91,590
At 31 July 2019	<u>1,692,190</u>	<u>150,000</u>	<u>1,842,190</u>
Impairment			
At 1 August 2018 and 31 July 2019	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Carrying amount			
At 31 July 2019	<u>1,692,190</u>	<u>-</u>	<u>1,692,190</u>
At 31 July 2018	<u>-</u>	<u>-</u>	<u>-</u>

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 August 2018 and 31 July 2019	<u>99</u>
Carrying amount	
At 31 July 2019	<u>99</u>
At 31 July 2018	<u>99</u>

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

14 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	884,124	726,471	n/a	n/a
Instruments measured at fair value through profit or loss	1,692,190	-	-	-
Carrying amount of financial liabilities				
Measured at amortised cost	10,456,295	19,331,200	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

15 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	20,027	27,027	-	-
Amounts owed by group undertakings	-	-	1,945,784	4,795,763
Other debtors	864,097	699,444	-	-
Prepayments and accrued income	399,430	360,910	-	-
	1,283,554	1,087,381	1,945,784	4,795,763

16 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	18	361,893	9,198,064	-	-
Trade creditors		923,039	723,971	-	-
Amounts owed to group undertakings		-	-	1,945,784	4,795,763
Corporation tax payable		208,209	348,669	-	-
Other taxation and social security		243,955	210,882	-	-
Other creditors		956,568	832,888	-	-
Accruals and deferred income		1,013,201	956,757	-	-
		3,706,865	12,271,231	1,945,784	4,795,763

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

17 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	18	8,214,795	8,576,277	-	-

Amounts included above which fall due after five years are as follows:

Payable by instalments	6,677,098	7,202,840	-	-
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18 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	8,576,688	17,774,341	-	-
Payable within one year	361,893	9,198,064	-	-
Payable after one year	8,214,795	8,576,277	-	-

The bank loan bears interest at 1.6% above the bank's base rate and is repayable in monthly instalments of £47,557. The loan is secured on the group's properties and by a cross guarantee given by Breedon House Nurseries Limited.

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	189,749	56,519
Tax losses	(7,897)	-
Revaluations	659,998	669,083
	841,850	725,602

The company has no deferred tax assets or liabilities.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

19 Deferred taxation

(Continued)

	Group 2019 £	Company 2019 £
Movements in the year:		
Liability at 1 August 2018	725,602	-
Charge to profit or loss	125,333	-
Credit to other comprehensive income	(9,085)	-
Liability at 31 July 2019	841,850	-

The deferred tax liability set out above is expected to reverse within 36 months and relates to accelerated capital allowances that are expected to set against future expected profits.

20 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	128,557	57,391

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund.

21 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
100 ordinary shares of £1 each	100	100

22 Reserves

Revaluation reserve

This reserve records the amount by which the group's freehold properties have been revalued net of the tax that would be payable if the properties were disposed of at their revalued amounts.

Profit and loss reserves

This reserve includes all current and prior period retained profits and losses.

Other reserve

This is a merger reserve that arose on a group reorganisation undertaken in a prior period.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

23 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	202,604	166,115	-	-
Between two and five years	409,682	372,050	-	-
In over five years	1,290,312	1,349,844	-	-
	<u>1,902,598</u>	<u>1,888,009</u>	<u>-</u>	<u>-</u>

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	<u>300,693</u>	<u>254,157</u>

25 Directors' transactions

Dividends totalling £1,295,784 (2018 - £1,311,407) were paid in the year in respect of shares held by the company's directors.

An adjustment has also been made to the prior year's results to recognise a dividend of £650,000 that was previously omitted.

At the year end an amount of £32,428 was due to Mrs M Mason (2018: £347,727 due from Mrs M Mason). This was interest free and repayable on demand.

26 Controlling party

The ultimate controlling parties are Mrs M Mason and Mr H Mason, directors.

BHCF2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

27 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	2,152,090	2,476,784
Adjustments for:		
Taxation charged	751,916	779,850
Finance costs	254,629	231,848
Investment income	(139,003)	(2,884)
(Gain)/loss on disposal of tangible fixed assets	-	17,354
Amortisation and impairment of intangible assets	385,145	634,501
Depreciation and impairment of tangible fixed assets	609,033	485,168
Movements in working capital:		
(Increase) in debtors	(298,681)	(169,578)
Increase in creditors	379,837	279,964
Cash generated from operations	4,094,966	4,733,007