

COMPANY REGISTRATION NUMBER: 03943330

PARENT ACCOUNTS OF:

Allgold Investment Limited

Company Number: 08934038

BHFS One Limited

Annual Report and Financial Statements

Year ended

31 December 2020



BHFS One Limited

Financial Statements

Year ended 31 December 2020

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BHFS One Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS

E Boland
G Fee
J Casagrande
R Marshall

COMPANY SECRETARY

S Kramer

REGISTERED OFFICE

2 Crown Court
Rushden
Northamptonshire
England
NN10 6BS

INDEPENDENT AUDITOR

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

BHFS One Limited

Strategic Report

Year ended 31 December 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Review of Business

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

In England, where comparative data is available from Ofsted, we are proud to have consistently outperformed our sector in terms of "Outstanding" judgements made at inspection. 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 August 2020: www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-august-2020/main-findings-childcare-providers-and-inspections-as-at-31-august-2020

	Good and better	Outstanding
All Childcare providers %	96	17
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.

Developments

In March 2020, the Group began to experience the impact of the COVID-19 pandemic on its operations, as government mandates in response to the pandemic resulted in the temporary closure of a significant portion of the Group'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.

Included within turnover are amounts totalling £38.1m relating to early years childcare funding (2019: £34.2m). Following the coronavirus outbreak and enforced closure of nurseries in March 2020, the government announced that early years care providers such as Bright Horizons would continue to receive early years childcare funding, even in the event that nursery settings were advised to close by Public Health England (PHE) or if children were not able to attend due to coronavirus.

In a government press release on 17 March 2020, Education Secretary Gavin Williamson said: "Millions of parents rely on childcare and the vital service provided by nurseries, childminders and preschools. Making sure that young children can be cared for safely so that their parents are able to work where required is of the utmost importance now more than ever. In recognition of this, we will continue to pay for all free early years entitlements places, even in the event that settings are closed on the advice of Public Health England, or children are not able to attend due to coronavirus, and we will not be asking for funding back from local authorities."

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Developments *(continued)*

During this unprecedented period the Bright Horizons Group continued to provide services as follows:

1. By way of hub nurseries which remained open throughout the year to continue to provide services to vulnerable children and those of key workers as noted above;
2. By re-opening nurseries as soon as restrictions were eased (estate almost completely opened by September 2020);
3. By standing ready to provide care services to children where these were demanded in respect of the places funded.

The UK government and local jurisdictions have since lifted certain restrictions, and Bright Horizons have gradually re-opened the temporarily closed centres. As of December 31, 2020, the Group operated 299 child care centres in the United Kingdom. The Group's centres are operating with stringent COVID-19 protocols in order to protect the health and safety of the children, families and staff, including social distancing procedures for pick-up and drop-off, daily health screenings, the use of face masks by the staff, limited group sizes, and enhanced hygiene and cleaning practices.

During the unprecedented period of the pandemic, the Group has restricted the capital and acquisition spend, which combined with standard depreciation and amortisation charged through profit or loss, resulted in a decrease of the fixed and intangible asset balances held as of 31 December 2020, but it also helped strengthen the Group's cash balance.

As the situation continues to evolve and more information and guidance becomes available, we may adjust our current plans, policies and procedures to address the rapidly changing variables related to the pandemic. The COVID-19 pandemic could continue to have a negative impact on our results of operations, the size and duration of which we are currently unable to predict.

Key Performance Indicators

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

	2020	2019
Revenue (in £000s)	188,126	297,367
EBITDA* (in £000s)	3,648	46,715
Number of centres as at 31 December	299	313
Number of places (capacity)	24,341	25,384

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

As of December 31, 2020, our 299 centres in the United Kingdom were open. During the year ended December 31, 2020, we opened 2 new centres and permanently closed 16 locations where demand and economics had shifted. As a result of the permanent closure of centres, the Group recorded impairment charges of £4.5m to Consolidated statement of comprehensive income. Government restrictions on travel and public gatherings in response to increased COVID-19 infections imposed throughout 2020, have resulted in reduced attendance at our child care centres, leading to a significant decline in both revenue from £297m in 2019 to £188m in 2020. This has in turn impacted profitability, leading to a significant decline in EBITDA as shown above.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Key Performance Indicators *(continued)*

In order to minimise the impact of COVID-19 on the Group's cash flows, management have implemented a temporary ban on capital and acquisition spend. As a result of this:

- Tangible assets have declined from £182m in 2019 to £165m in 2020 driven by the depreciation and impairments charged in the year combined with limited additions
- Intangible assets have declined from £216m in 2019 to £196m in 2020 mainly driven by the amortisation charged in the year
- Cash at bank increased from £5m in 2019 to £18m in 2020 as a result of reduced spend on investing activities and stricter working capital management

Please refer to the Developments and Going Concern sections in the Strategic Report for further analysis of the impact of COVID-19 on the Group's financial performance and position.

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.

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

Principal Risks and Uncertainties

The principal risks for Bright Horizons in the UK are:

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

The COVID-19 pandemic has substantially disrupted our operations. We expect to continue to be impacted as the situation remains dynamic and subject to rapid and potentially material changes. As of December 31, 2020, we operated 299 child care and early education centres. We are focused on the re-enrolment and ramping of our centres, but the COVID-19 pandemic may cause further disruptions to our business and potential adverse impacts to our financial condition and results of operations.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Principal Risks and Uncertainties *(continued)*

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 to 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.

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.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Principal Risks and Uncertainties *(continued)*

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 Group's child care centres.

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

The Group cannot anticipate how long it will take for re-opened centres to reach typical enrolment levels and there is no assurance that centres currently open will continue to operate. While the Group experienced increased demand for certain back-up care services during the peak of the pandemic in the second quarter, such as in-home care and self-sourced reimbursed care, and more limited disruption to providing educational advisory services, these conditions and trends may not continue in subsequent periods. Given these factors, the Group expects the effects of COVID-19 to continue to adversely impact the results of its operations in 2021.

Section 172(1) Statement

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

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

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

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

Significant events/decisions - *Significant number of nurseries shut down during Lockdown 1.0*

Key s.172 stakeholders affected - *Parents and children, Employees*

Actions and impact:

- Following the coronavirus outbreak, nearly 280 nurseries were temporarily closed in late March 2020 in line with the government's guidance.
- 35 hub nurseries remained opened during Lockdown 1.0 to provide care and support services to vulnerable children and those of key workers.
- A significant portion of employees were placed on furlough and brought back from June 2020 when the gradual re-opening of nurseries began in line with growing demand for childcare. The decision to place employees on furlough and to gradually bring them back was taken in line with the government's guidance.
- Both parents and employees were regularly kept informed of changes in the government guidance.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Section 172(1) Statement *(continued)*

Significant events/decisions - Centralisation of procurement

Key s.172 stakeholders affected - Suppliers

Actions and impact:

- In late March 2020, as a result of the temporary nursery closures, the Board took a decision to centralise the procurement function to ensure the 35 hub nurseries could obtain the necessary supplies and protective equipment.
- Following the gradual re-opening of centres, the centralised procurement was extended to all BH centres. This ensured nurseries receive all necessary supplies in a timely manner with minimum disruption despite the impact of COVID-19 on logistics.

Significant events/decisions - Restructuring

Key s.172 stakeholders affected - Parents and children, Employees

Actions and impact:

- The Board considered multiple proposals and implemented the most effective proposal to restructure the Group to address the impact of COVID-19.
- The demographics and performance of each centre have been considered, and as a result of the drop in demand in certain areas, 16 centres have been permanently closed.
- Staff members from these centres were relocated to other nurseries where possible or made redundant.
- As a result of these site closures fixed asset impairments of £4.5m were booked and recognised in the statement of comprehensive income.

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 mid-March 2020, in response to the challenges presented by the coronavirus outbreak and in accordance with latest available government and Public Health England (PHE) guidance, the Directors made a decision to temporarily close a significant portion of its child care centres, while continuing to operate critical health care client and "hub" centres to provide care and support services to vulnerable children and those of key workers working on the front lines of the response. The Directors continued to monitor the demand for childcare as some of the lock down restrictions were eased and took a decision to gradually reopen the closed centres in accordance with the latest PHE guidance and in line with the increase in demand for childcare.

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

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Section 172(1) Statement *(continued)*

The impact of the group'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 £16,000 (2019: £34,239) to The Bright Horizons Foundation for Children.

The Board continues to encourage involvement of Bright Horizons employees and customers in supporting local communities. However, such initiatives have not been held throughout 2020 due to the COVID-19 pandemic.

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

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

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

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

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.

The COVID-19 pandemic has disrupted our UK operations as a result of required school and business closures and shelter-in-place mandates in response to the COVID-19 pandemic. As a result, in March 2020, the Board made a decision to place on furlough a significant portion of the Group's employees in proportion to the number of centre closures, including centre personnel and related support functions in the Group's corporate offices. During this unprecedented situation, Bright Horizons remained committed to offer continued support and resources to its employees, including access to online training, and provided regular updates on the group's strategy for managing the ongoing COVID-19 pandemic.

BHFS One Limited

Strategic Report *(continued)*

Year ended 31 December 2020

Section 172(1) Statement *(continued)*

The need to foster the group'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.

Throughout 2020, the Group worked closely with its suppliers to introduce centralised procurement to ensure all childcare centres are supplied with the products they need despite the COVID-19 pandemic and the subsequent lockdowns.

Financial Risk Management

The Group is a wholly owned subsidiary of Bright Horizons Family Solutions LLC, a wholly owned subsidiary of Bright Horizons Family Solutions Inc. The Company is quoted on the New York Stock Exchange with a market capitalisation of \$8.5bn as at 10 May 2021. The Group's growth has been supported and funded in part by its US parent company with a combination of equity capital and intercompany loans. The Group is financially strong and it complements its operational and competitive strengths.

This report was approved by the board of directors on Jul 16, 2021 and signed on behalf of the board by:

Gary Fee
Gary Fee (Jul 16, 2021 11:03 GMT-1)

G Fee
Director

BHFS One Limited

Directors' Report

Year ended 31 December 2020

The directors present their report and the financial statements of the group for the year ended 31 December 2020.

Directors

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

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

Results and Dividends

The loss for the year, after taxation, amounted to £58,386,000 (2019: loss £15,028,000).

The directors do not recommend the payment of a dividend for the year under review (2019: £nil).

Energy and Carbon Reporting

	Unit	2020
Transport	tCO2e	177
Gas	tCO2e	2,665
Electricity	tCO2e	1,937
Total emissions	tCO2e	4,779
Total energy consumption	kWh	<u>23,504,735</u>

The Group have considered intensity ratio's which express annual emissions in relation to a quantifiable factor associated with the group's activities.

Based on the total program capacity, it is estimated that the Group generates c.0.20 of CO2 emissions for each nursery place.

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

The UK Government GHG Conversion Factors for Company Reporting were then used to convert the energy use in kWh into CO2 emissions.

Average car emissions factors have been used to calculate carbon emissions and equivalent kWh totals for 2020. The energy use for gas and electricity was based on actual bills for the year under review for each nursery, with a small number of sites where the energy use was estimated based on program capacity.

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2020

Energy and Carbon Reporting *(continued)*

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

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

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

Financial Risk Management

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

Capital risk management

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

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

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

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

Qualifying Indemnity Provision

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

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2020

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. In light of the decline in revenue in 2020 and the potential uncertainties brought by the pandemic, the directors have also reviewed the forecasts covering 12 months from the date of signing of the annual report.

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

- furloughing a significant portion of our employees in proportion to the number of centre closures, including centre personnel for temporarily closed centres and related support functions in our corporate offices;
- reducing discretionary spending and overhead costs, while prioritizing investments that support current operations and deferring to future periods non-essential investments;
- phasing the re-opening of temporarily closed centres to align with enrolment demand;
- temporary voluntary reductions in compensation to certain executive officers and board members;
- participating in government support programs, including but not limited to tax deferrals, employee wage support, business rates relief and the continued receipt of early years childcare funding;
- renegotiating payment terms with vendors and landlords.

As a result of the measures outlined above, the UK Group maintained a strong cash position throughout the year and as of 31 December 2020 cash reserves held stood at £18.5m compared to £5.0m as of 31 December 2019.

The UK Group is 100% owned by Bright Horizons Family Solutions Inc., a Company incorporated in the USA and listed on New York Stock Exchange. The immediate parent company is BHFS LLC, a company incorporated in the USA. The immediate parent company has declared its ability and willingness to support the UK business as it continues its recovery from the COVID-19 pandemic, by providing liquidity where required. Whilst Bright Horizons Family Solutions Inc. has also been affected by the pandemic, its liquidity position remains stable and the latest public filing as of 31 December 2020 shows a cash position of \$384m and an undrawn multi-currency revolving credit facility of \$400m.

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

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 Group is in the process of reviewing its governance structure to comply with the latest UK Corporate Governance Code for large privately-held businesses.

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2020

Disclosure of Information in the Strategic Report

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

Directors' Responsibilities Statement

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

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

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

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

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

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

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

BHFS One Limited

Directors' Report *(continued)*

Year ended 31 December 2020

This report was approved by the board of directors on Jul 16, 2021 and signed on behalf of the board by:

Gary Fee
Gary Fee (Jul 15, 2021, 14:03 GMT-1)

G Fee
Director

BHFS One Limited

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

Year ended 31 December 2020

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BHFS One Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

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

Independence

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

Conclusions Relating to Going Concern

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

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

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

BHFS One Limited

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

Year ended 31 December 2020

Other Information

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

We have nothing to report in this regard.

Other Companies Act 2006 Reporting

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

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

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

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

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

BHFS One Limited

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

Year ended 31 December 2020

Responsibilities of Directors

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

BHFS One Limited

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

Year ended 31 December 2020

Procedures performed by the audit team included:

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

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

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

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

Use of Our Report

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

DocuSigned by:

Malcolm Thixton

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

Date: 16 July 2021

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

BHFS One Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Note	2020 £000	2019 £000
TURNOVER	4	188,126	297,367
Cost of sales		(133,194)	(153,100)
GROSS PROFIT		54,932	144,267
Administrative expenses		(123,570)	(133,277)
Other operating income	5	32,822	—
OPERATING (LOSS)/PROFIT	6	(35,816)	10,990
Other interest receivable and similar income	9	19	51
Interest payable and similar expenses	10	(23,048)	(22,297)
LOSS BEFORE TAXATION		(58,845)	(11,256)
Tax on loss	11	459	(3,772)
LOSS AFTER TAXATION		(58,386)	(15,028)
Other comprehensive income		—	—
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(58,386)</u>	<u>(15,028)</u>

All the activities of the group are from continuing operations.

The notes on pages 25 to 51 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Financial Position

31 December 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Intangible assets	12	195,636	216,419
Tangible assets	13	165,345	181,503
		<u>360,981</u>	<u>397,922</u>
CURRENT ASSETS			
Debtors: due within one year	15	15,675	14,378
Debtors: due after more than one year	15	414	439
Cash at bank and in hand		18,459	5,002
		<u>34,548</u>	<u>19,819</u>
CREDITORS: amounts falling due within one year	16	(46,143)	(35,637)
NET CURRENT LIABILITIES		<u>(11,595)</u>	<u>(15,818)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		349,386	382,104
CREDITORS: amounts falling due after more than one year	17	(460,180)	(438,431)
PROVISIONS			
Deferred taxation	18	(7,220)	(6,705)
Other provisions	18	(7,296)	(3,892)
		<u>(14,516)</u>	<u>(10,597)</u>
NET LIABILITIES		<u>(125,310)</u>	<u>(66,924)</u>
CAPITAL AND RESERVES			
Share premium account	24	7,125	7,125
Profit and loss account	24	(132,435)	(74,049)
SHAREHOLDERS DEFICIT		<u>(125,310)</u>	<u>(66,924)</u>

These financial statements were approved by the board of directors and authorised for issue on Jul 16, 2021....., and are signed on behalf of the board by:

Gary Fee
(Gary Fee (1 Jul 18, 2021 14:01 GMT+1))

G Fee
Director

Company registration number: 03943330

The notes on pages 25 to 51 form part of these financial statements.

BHFS One Limited

Company Statement of Financial Position

31 December 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Investments	14	306,536	306,536
CURRENT ASSETS			
Debtors: due within one year	15	4,408	4,408
CREDITORS: amounts falling due within one year	16	(1,362)	(1,362)
NET CURRENT ASSETS		3,046	3,046
TOTAL ASSETS LESS CURRENT LIABILITIES		309,582	309,582
CREDITORS: amounts falling due after more than one year	17	(450,164)	(427,446)
NET LIABILITIES		(140,582)	(117,864)
CAPITAL AND RESERVES			
Share premium account	24	7,125	7,125
Profit and loss account	24	(147,707)	(124,989)
SHAREHOLDERS DEFICIT		(140,582)	(117,864)

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not prepared its own statement of comprehensive income in the financial statements. The loss for the financial year of the parent company was £22,718,000 (2019: £21,565,000).

These financial statements were approved by the board of directors and authorised for issue on Jul.16, 2021....., and are signed on behalf of the board by:

Gary Fee
Gary Fee (Jul 16, 2021: 14:03:00 -1)

G Fee
Director

Company registration number: 03943330

The notes on pages 25 to 51 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Share premium account £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2019	7,125	(59,021)	(51,896)
Loss for the year	—	(15,028)	(15,028)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(15,028)	(15,028)
AT 31 DECEMBER 2019	7,125	(74,049)	(66,924)
Loss for the year	—	(58,386)	(58,386)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(58,386)	(58,386)
AT 31 DECEMBER 2020	<u>7,125</u>	<u>(132,435)</u>	<u>(125,310)</u>

The notes on pages 25 to 51 form part of these financial statements.

BHFS One Limited

Company Statement of Changes in Equity

Year ended 31 December 2020

	Share premium account £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2019	7,125	(103,424)	(96,299)
Loss for the year		(21,565)	(21,565)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(21,565)	(21,565)
AT 31 DECEMBER 2019	7,125	(124,989)	(117,864)
Loss for the year		(22,718)	(22,718)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(22,718)	(22,718)
AT 31 DECEMBER 2020	<u>7,125</u>	<u>(147,707)</u>	<u>(140,582)</u>

The notes on pages 25 to 51 form part of these financial statements.

BHFS One Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	2020 £000	2019 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(58,386)	(15,028)
<i>Adjustments for:</i>		
Depreciation of tangible assets	15,317	15,450
Impairment of tangible assets	4,532	–
Amortisation of intangible assets	19,615	20,275
Other interest receivable and similar income	(19)	(51)
Interest payable and similar expenses	23,048	22,296
Gains on disposal of tangible assets	(812)	(461)
Equity-settled share-based payments	976	787
Tax on loss	(459)	3,772
<i>Changes in:</i>		
Trade and other debtors	(1,196)	(1,720)
Trade and other creditors	11,690	(7,567)
Provisions and employee benefits	3,404	(2,670)
Cash generated from operations	17,710	35,083
Interest paid	–	(1,000)
Tax paid	(1,244)	(3,350)
Net cash from operating activities	<u>16,466</u>	<u>30,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(8,383)	(17,183)
Proceeds from sale of tangible assets	5,506	2,126
Purchase of intangible assets	(132)	(209)
Cash acquired with business combinations	–	1,054
Cash paid to acquire business combinations	–	(14,370)
Net cash used in investing activities	<u>(3,009)</u>	<u>(28,582)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,457	2,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,002	2,851
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>18,459</u>	<u>5,002</u>

The notes on pages 25 to 51 form part of these financial statements.

BHFS One Limited

Notes to the Financial Statements

Year ended 31 December 2020

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

3.2 Going concern

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. In light of the decline in revenue in 2020 and the potential uncertainties brought by the pandemic, the directors have also reviewed the forecasts covering 12 months from the date of signing of the annual report.

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

- furloughing a significant portion of our employees in proportion to the number of centre closures, including centre personnel for temporarily closed centres and related support functions in our corporate offices;
- reducing discretionary spending and overhead costs, while prioritizing investments that support current operations and deferring to future periods non-essential investments;
- phasing the re-opening of temporarily closed centres to align with enrolment demand;
- temporary voluntary reductions in compensation to certain executive officers and board members;
- participating in government support programs, including but not limited to tax deferrals, employee wage support, business rates relief and the continued receipt of early years childcare funding;
- renegotiating payment terms with vendors and landlords

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.2 Going concern *(continued)*

As a result of the measures outlined above, the UK Group maintained a strong cash position throughout the year and as of 31 December 2020 the cash reserves held stood at £18.5m compared to £5.0m as of 31 December 2019.

The UK Group is 100% owned by Bright Horizons Family Solutions Inc., a Company incorporated in the USA and listed on New York Stock Exchange. The immediate parent company is BHFS LLC, a company incorporated in the USA. The immediate parent company has declared its ability and willingness to support the UK business as it continues its recovery from the COVID-19 pandemic, by providing liquidity where required. Whilst Bright Horizons Family Solutions Inc. has also been affected by the pandemic, its liquidity position remains stable and the latest public filing as of 31 December 2020 shows a cash position of \$384m and an undrawn multi-currency revolving credit facility of \$400m.

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

3.3 Parent company disclosure exemptions

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

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

3.4 Consolidation

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.5 Judgements and key sources of estimation uncertainty

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

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine the length of the non cancellable period for which the Group has entered into the lease. These decisions are based on a number of options within the lease and whether or not the Group at the inception of the lease is reasonably certain that it intends to exercise these options.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill and amounts owed by group undertakings. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.
- Determine whether the fair value of the properties acquired is the price that would be received to sell the asset in an orderly transaction between market participants.
- Determine whether the acquired intangibles assets are identifiable in terms of being separable and arise from contractual or legal rights. This has been determined on a basis that reflects an amount that the group would have paid for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. If the fair value could not be measured reliably, the asset is not recognised as a separate intangible asset, but is included in goodwill.

Key assumptions include:

Investments (see note 14)

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

Impairments of goodwill, tangible and intangible assets

During 2020 the Group assessed the need for potential asset impairments or write-downs as a result of the ongoing COVID-19 pandemic.

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

Goodwill cannot be allocated to each individual CGU (reporting unit) on a non-arbitrary basis and has therefore been tested for impairment by determining the recoverable amount of each Group of CGU's (reporting units) to which goodwill can be attributed on an arbitrary basis.

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

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

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 2020 the weighted average cost of capital 'WACC' was 4.72% (2019: 4.72%).

Long term growth rates

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

Dilapidation provisions

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

Onerous lease provisions

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

Contingent consideration

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

3.6 Revenue

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

Revenue *(continued)*

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

Further detail on how the revenue policy was applied in 2020 is available in Note 4.

3.7 Current and deferred taxation

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

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

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

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.8 Leased assets

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

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

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

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

3.9 Goodwill

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

3.10 Intangible assets

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

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

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

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.11 Amortisation

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

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

Estimated useful lives of acquisition related intangible assets:

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

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

3.12 Tangible assets

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

3.13 Depreciation

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

Depreciation is provided on the following basis:

Freehold property	-	2.5% straight line
Freehold building improvements	-	over 15 years
Leasehold buildings	-	over the term of the lease
Leasehold improvements	-	over 15 years or the remaining term of the lease whichever is shorter

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

Depreciation *(continued)*

Fixture and fittings	-	14% straight line
Motor vehicles	-	20% straight line
Equipment	-	10% - 33% straight line

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

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

3.14 Impairment of fixed assets and goodwill

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

3.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.16 Government grants

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

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.17 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

3.18 Financial liabilities and equity

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

3.19 Interest income

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

3.20 Finance costs

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.21 Share based payments

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

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

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

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

3.22 Provisions

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

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

3. ACCOUNTING POLICIES *(continued)*

3.23 Financial instruments

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

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

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

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

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

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

3.24 Defined contribution plans

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

4. TURNOVER

Turnover arises from:

	2020 £000	2019 £000
Nursery services	188,126	297,367

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

Included within turnover are amounts totalling £38.1m relating to early years childcare funding (2019: £34.2m). Following the coronavirus outbreak and enforced closure of nurseries in March 2020, the government announced that early years care providers such as Bright Horizons would continue to receive early years childcare funding, even in the event that nursery settings were advised to close by Public Health England (PHE) or if children were not able to attend due to coronavirus.

In a government press release on 17 March 2020, Education Secretary Gavin Williamson said: "Millions of parents rely on childcare and the vital service provided by nurseries, childminders and preschools. Making sure that young children can be cared for safely so that their parents are able to work where required is of the utmost importance now more than ever. In recognition of this, we will continue to pay for all free early years entitlements places, even in the event that settings are closed on the advice of Public Health England, or children are not able to attend due to coronavirus, and we will not be asking for funding back from local authorities."

During this unprecedented period the Bright Horizons Group continued to provide services as follows:

1. By way of hub nurseries which remained open throughout the year to continue to provide services to the vulnerable children and those of key workers;
2. By re-opening nurseries as soon as restrictions were eased (estate almost completely opened by September 2020);
3. By standing ready to provide care services to children where these were demanded in respect of the places funded.

5. OTHER OPERATING INCOME

	2020 £000	2019 £000
Government grant income	31,875	—
Other operating income	947	—
	<u>32,822</u>	<u>—</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2020	2019
	£000	£000
Amortisation of intangible assets	19,615	20,275
Depreciation of tangible assets	15,317	15,450
Impairment of tangible assets recognised in:		
Administrative expenses	4,532	–
Gains on disposal of tangible assets	(812)	(461)
Operating lease rentals	21,456	21,494
Share-based payments	976	787
Defined contribution pension cost	4,315	4,391

7. AUDITOR'S REMUNERATION

	2020	2019
	£000	£000
Fees payable for the audit of the financial statements	182	185
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	–	110
Other non-audit services	–	72
	–	182

8. STAFF COSTS

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

	2020	2019
	No.	No.
Nursery staff	8,432	9,644
Administrative staff	488	481
	8,920	10,125

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

	2020	2019
	£000	£000
Wages and salaries	138,727	150,900
Social security costs	9,658	11,028
Other pension costs	4,315	4,391
	152,700	166,319

The company has no employees or staff costs.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

8. STAFF COSTS *(continued)*

Directors' remuneration

One director, who is also the highest paid director, received emoluments during the current year totalling £276,421 (2019: £392,369).

There were no directors in the group's defined contribution pension scheme during the year. These contributions totalled £nil (2019: £nil).

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

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

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Bank interest receivable	<u>19</u>	<u>51</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £000	2019 £000
Loans from group companies	<u>23,048</u>	<u>22,297</u>

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

11. TAX ON LOSS

Major components of tax income

	2020 £000	2019 £000
Current tax:		
UK current tax income	–	3,783
Adjustments in respect of prior periods	<u>(1,274)</u>	<u>113</u>
Total current tax	<u>(1,274)</u>	<u>3,896</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(1,384)</u>	<u>(16)</u>
Impact of change in tax rate	667	–
Adjustments in respect of prior periods	<u>1,532</u>	<u>(108)</u>
Total deferred tax	<u>815</u>	<u>(124)</u>
Tax on loss	<u>(459)</u>	<u>3,772</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

11. TAX ON LOSS *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the loss on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £000	2019 £000
Loss on ordinary activities before taxation	(58,845)	(11,256)
Loss on ordinary activities by rate of tax	(11,180)	(2,139)
Adjustment to tax charge in respect of prior periods	258	5
Effect of expenses not deductible for tax purposes	4,606	1,563
Effect of capital allowances and depreciation	4,851	4,767
Effect of different UK tax rates on some earnings	461	(63)
Losses carried back	1,332	–
Deferred tax not recognised	221	(21)
Other differences	(1,288)	(639)
Capital gains and losses	280	299
Tax on loss	(459)	3,772

Adjustments in respect of prior periods arise as a result of losses carried back against taxable profits reported in the year ended 31 December 2019.

Factors that may affect future tax income

For further information on deferred tax balances see note 19.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date. As a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the effect on the closing deferred tax position would be to increase the deferred tax liability by £2,257,000.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

12. INTANGIBLE ASSETS

Group	Goodwill £000	Capitalised development costs £000	Trade names £000	Customer relationships £000	Total £000
Cost					
At 1 January 2020	287,578	1,309	2,857	23,609	315,353
Additions	—	132	—	—	132
Change in FV of deferred consideration	(1,300)	—	—	—	(1,300)
At 31 December 2020	<u>286,278</u>	<u>1,441</u>	<u>2,857</u>	<u>23,609</u>	<u>314,185</u>
Amortisation					
At 1 January 2020	84,858	369	1,854	11,853	98,934
Charge for the year	13,778	459	864	4,514	19,615
At 31 December 2020	<u>98,636</u>	<u>828</u>	<u>2,718</u>	<u>16,367</u>	<u>118,549</u>
Carrying amount					
At 31 December 2020	<u>187,642</u>	<u>613</u>	<u>139</u>	<u>7,242</u>	<u>195,636</u>
At 31 December 2019	<u>202,720</u>	<u>940</u>	<u>1,003</u>	<u>11,756</u>	<u>216,419</u>

The company has no intangible assets.

BHFS One Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

13. TANGIBLE ASSETS

Group	At 1 January 2020 £000	Additions £000	Disposals £000	Transfers £000	At 31 December 2020 £000
Cost					
Freehold land and buildings	127,499	3,516	(5,138)	–	125,877
Leasehold land and buildings	71,193	1,486	(624)	2,852	74,907
Fixtures and fittings	25,881	1,220	(1,948)	199	25,352
Motor vehicles	42	–	–	–	42
Equipment	21,946	1,722	(1,472)	883	23,079
Assets in the course of construction	4,031	439	–	(3,950)	520
	<u>250,592</u>	<u>8,383</u>	<u>(9,182)</u>	<u>(16)</u>	<u>249,777</u>
	At 1 January 2020 £000	Charge for the year £000	Disposals £000	Impairment losses £000	At 31 December 2020 £000
Depreciation					
Freehold land and buildings	11,323	2,491	(544)	800	14,070
Leasehold land and buildings	29,912	5,627	(821)	2,707	37,425
Fixtures and fittings	15,440	3,642	(1,913)	543	17,712
Motor vehicles	38	3	–	–	41
Equipment	12,376	3,554	(1,228)	482	15,184
	<u>69,089</u>	<u>15,317</u>	<u>(4,506)</u>	<u>4,532</u>	<u>84,432</u>
				At 31 December 2020 £000	At 31 December 2019 £000
Carrying amount					
Freehold land and buildings				111,807	116,176
Leasehold land and buildings				37,482	41,281
Fixtures and fittings				7,640	10,441
Motor vehicles				1	4
Equipment				7,895	9,570
Assets in the course of construction				520	4,031
				<u>165,345</u>	<u>181,503</u>

The company has no tangible assets.

Freehold land totalling £56,410,000 (2019: £56,618,000) has not been depreciated due to land having an unlimited useful economic life.

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

14. INVESTMENTS

The group has no investments.

Company	Investments in subsidiary companies £000
Cost	
At 1 January 2020 and 31 December 2020	306,536
Impairment	
At 1 January 2020 and 31 December 2020	—
Carrying amount	
At 1 January 2020 and 31 December 2020	306,536
At 31 December 2019	306,536

Subsidiaries, associates and other investments

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

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

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

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

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

BHFS One Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

15. DEBTORS

Debtors falling due within one year are as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	6,714	5,558	–	–
Amounts owed by group undertakings	2,955	724	4,408	4,408
Deferred tax asset	74	–	–	–
Prepayments and accrued income	2,640	5,357	–	–
Corporation tax repayable	1,274	–	–	–
Other debtors	2,018	2,739	–	–
	<u>15,675</u>	<u>14,378</u>	<u>4,408</u>	<u>4,408</u>

Debtors falling due after one year are as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Other debtors	<u>414</u>	<u>439</u>	<u>–</u>	<u>–</u>

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

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

16. CREDITORS: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loans and overdrafts	40	–	–	–
Trade creditors	2,061	2,785	–	–
Amounts owed to group undertakings	–	–	1,362	1,362
Accruals and deferred income	35,647	24,346	–	–
Corporation tax	–	960	–	–
Social security and other taxes	4,546	3,557	–	–
Other creditors	<u>3,849</u>	<u>3,989</u>	<u>–</u>	<u>–</u>
	<u>46,143</u>	<u>35,637</u>	<u>1,362</u>	<u>1,362</u>

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts owed to parent undertaking	450,164	427,446	450,164	427,446
Other creditors	10,016	10,985	—	—
	<u>460,180</u>	<u>438,431</u>	<u>450,164</u>	<u>427,446</u>

Included within creditors: amounts falling due after more than one year is an amount of £450,163,678 (2019: £427,445,874) for the group and company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Amounts owed to parent undertaking of £450,163,688 (2019: £427,445,884) relates to loan notes payable to the ultimate parent undertaking. Cumulative accrued interest rolled up to date on these loan notes totals £155,742,896 (2019: £133,025,092), including £22,717,804 (2019: £21,564,709) relating to interest accrued in the current year.

The amount consists of two notes of £417,396,872 (2019: £396,010,286) and £32,766,816 (2019: £31,435,598) payable to Bright Horizons Family Solutions Inc. Both notes accrue interest at 5.28% per annum and are repayable on 31 December 2028.

Contingent consideration

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

At the reporting date, the fair value of the contingent consideration was £10,016,000 (2019: £10,985,000). The fair value of the contingent consideration recorded in the year ended 31 December 2020 was calculated using a real options model based on probability weighted outcomes of meeting certain future performance targets. The key inputs to the valuation are the projections of future financial results in relation to the business.

18. PROVISIONS

Group	Deferred tax	Dilapidation	Onerous	
	(note 19)	provision	lease	Total
	£000	£000	provision	£000
	£000	£000	£000	£000
At 1 January 2020	6,705	2,881	1,011	10,597
Charges to profit or loss	1,181	2,358	1,465	5,004
Utilised in year	(666)	(191)	(228)	(1,085)
At 31 December 2020	<u>7,220</u>	<u>5,048</u>	<u>2,248</u>	<u>14,516</u>

The company does not have any provisions.

BHFS One Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2020

18. PROVISIONS (continued)

Dilapidations provision

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

Onerous lease provisions

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

19. DEFERRED TAX

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Included in debtors (note 15)	74	–	–	–
Included in provisions (note 18)	(7,220)	(6,705)	–	–
	<u>(7,146)</u>	<u>(6,705)</u>	<u>–</u>	<u>–</u>

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Accelerated capital allowances	1,892	1,539	–	–
Unused tax losses	(98)	(134)	–	–
Short term timing differences	(778)	(98)	–	–
Capital gains	4,697	4,238	–	–
Intangible assets - parent relationships	1,433	1,160	–	–
	<u>7,146</u>	<u>6,705</u>	<u>–</u>	<u>–</u>

The group and company have unprovided deferred tax assets in respect of accrued loans interest of £3,803,565 (2019: £2,852,837).

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

20. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in the consolidated statement of comprehensive income as an expense in relation to defined contribution plans was £4,315,000 (2019: £4,391,000).

There were amounts owing at the year end of £718,000 (2019: £827,000).

21. SHARE BASED PAYMENTS

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

	2020 Number of shares	2020 Weighted average exercise price \$	2019 Number of shares	2019 Weighted average exercise price \$
Outstanding at the beginning of the year	175,025	\$93.59	187,975	\$69.19
Granted during the year	64,486	\$147.79	71,800	\$124.41
Exercised/released during the year	(52,371)	\$66.22	(52,550)	\$50.02
Cancelled/forfeited during the year	(42,840)	\$123.36	(32,200)	\$91.01
Outstanding at the end of the year	144,300	\$118.90	175,025	\$93.59

During the 12 months to 31 December 2020 the group issued 64,486 long term incentive options (2019: 71,800) 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 60,580 (2019: 52,125) had vested and 52,371 (2019: 52,550) were exercised at the end of the year.

The number of options exercised during the year was 52,371 (2019: 7,000).

The number of options cancelled and forfeited during the year was 42,840 (2019: 32,300).

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

The fair value of the options granted and recognised within administration expenses in the year was £975,622 (2019: £786,807).

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

22. FINANCIAL INSTRUMENTS

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

Financial assets that are debt instruments measured at amortised cost

	Group	
	2020	2019
	£000	£000
Financial assets that are debt instruments measured at amortised cost		
Cash at bank	14,741	14,818
	<u>18,459</u>	<u>5,002</u>
	<u>33,200</u>	<u>19,820</u>

Financial liabilities measured at fair value through profit or loss

	Group	
	2020	2019
	£000	£000
Financial liabilities measured at fair value through profit or loss	<u>(10,016)</u>	<u>(10,985)</u>

Financial liabilities measured at amortised cost

	Group	
	2020	2019
	£000	£000
Financial liabilities measured at amortised cost	<u>(491,762)</u>	<u>(449,328)</u>

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

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

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

23. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

24. RESERVES

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

Share capital

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

Share premium

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

Profit and loss account

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

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2020 £000	Cash flows £000	Other non- cash changes £000	At 31 Dec 2020 £000
Cash at bank and in hand	5,002	13,457	–	18,459
Debt due within one year	–	(40)	–	(40)
Debt due after one year	(427,446)	–	(22,718)	(450,164)
	<u>(422,444)</u>	<u>13,417</u>	<u>(22,718)</u>	<u>(431,745)</u>

Non cash movements relate to £22,717,804 interest accrued in the current year relating to amounts owed to parent undertakings.

26. CAPITAL COMMITMENTS

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Tangible assets	<u>3,686</u>	<u>5,568</u>	<u>–</u>	<u>–</u>

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

27. OPERATING LEASES

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Not later than 1 year	19,078	19,185	—	—
Later than 1 year and not later than 5 years	65,566	69,503	—	—
Later than 5 years	74,587	85,026	—	—
	<u>159,231</u>	<u>173,714</u>	<u>—</u>	<u>—</u>

28. RELATED PARTY TRANSACTIONS

Company

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

Key management remuneration

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £1,487,743 (2019: £2,528,156).

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 (continued)

Year ended 31 December 2020

30. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

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

BHFS One Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2020

Name	Principal activity	Class of shares	Holding
Active Learning Childcare (UK) Limited	Dissolved on 13 Oct 20	Ordinary	100%
Asquith Court Nurseries Limited	Dormant	Ordinary	100%
Casterbridge Nurseries Limited	Dormant	Ordinary	100%
Casterbridge Real Estate Limited	Dissolved on 29 Sept 20	Ordinary	100%
Four Seasons Nurseries (Scotland) Limited	Dormant	Ordinary	100%
Kidsunlimited Group Limited	Dormant	Ordinary	100%
Kids Of Wilmslow Limited	Dormant	Ordinary	100%
Kidsunlimited Limited	Dormant	Ordinary	100%
Teddies Childcare Provision Limited	Dormant	Ordinary	100%
Teddies Nurseries Limited	Dormant	Ordinary	100%
Fran N Bru Limited	Dormant	Ordinary	100%
The Phoenix Day Nursery Limited	Dormant	Ordinary	100%
Westchester House Nursery Schools Limited	Dormant	Ordinary	100%

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