2893179

BUFFER BEAR LIMITED

DIRECTORS:	**Dr. K. Turner** **B.R. Williams**
REGISTERED OFFICE:	**The Hospitium** **Valpy Street** **Reading** **Berks.** **RG1 1AR**
AUDITORS:	**Ernest Francis** **Oswald House** **24-26 Queens Road** **Reading** **RG1 4AU**

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For the year ended 31 August 2001

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BUFFER BEAR LIMITED

DIRECTORS' REPORT
For the year ended 31 August 2001

The Directors present their Report to the members together with the Financial Statements for the year ended 31 August 2001.

PRINCIPAL ACTIVITY
The principal activity of the company is the operation of childrens' day nurseries.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS
The company's childcare nursery business continued to expand during the year to 31 August 2001, and the results for the year reflect this increased activity. In view of the further expansion opportunities in the future, it is proposed to retain the surplus funds in the business.

RESULTS AND DIVIDENDS
The company's profit after taxation for the year ended 31 August 2001 amounted to £9,247. This total is analysed as follows:-

Operating profit on established and ongoing nurseries	120648
Less: First year losses on new nurseries	(122894)
Net Operating loss for the year	(2246)
Interest receivable	12747
Net Profit before tax	10501
Corporation Tax	(1254)
Net Profit after tax	£ 9247

The directors recommend that no final dividend be paid.

BUFFER BEAR LIMITED

DIRECTORS' REPORT (Cont/d.)
For the year ended 31 August 2001

DIRECTORS
The directors of the company, throughout the year, and their interests in the shares of the company are set out below:-

	Number of £1 Shares at 31/08/01	31/08/00
Dr. K. Turner	5100 'A' shares	5100 'A' Shares
B.R. Williams	2500 'B' shares	2500 'B' Shares

DIRECTORS' RESPONSIBILITIES
Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those Financial Statements, the Directors are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. 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.

AUDITORS
A resolution to re-appoint Ernest Francis as Auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 13 November 2001 and signed on their behalf by:-

Kay Turner
.....
Dr. K. TURNER
Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF

BUFFER BEAR LIMITED

We have audited the Financial Statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' Report, the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

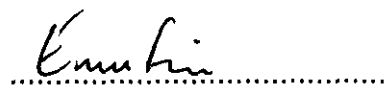
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material mis-statements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 August 2001 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



ERNEST FRANCIS

Chartered Accountants
Registered Auditors

Oswald House
24-26 Queens Road
READING
RG1 4AU

14 November 2001

BUFFER BEAR LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 August 2001

	Notes	2001 £	2000 £
TURNOVER	1.4	6466347	4306907
Cost of Sales		(4815311)	(3140367)
GROSS PROFIT		1651036	1166540
Administrative Expenses		(1653282)	(1147762)
OPERATING (LOSS)/PROFIT	2	(2246)	18778
Prior year adjustments		-	19478
Interest Receivable		12747	98
Interest Payable	5	-	(3485)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10501	34869
Tax on profit on ordinary activities	6	(1254)	(3025)
RETAINED PROFIT FOR THE YEAR	14	£ 9247	£ 31844

CONTINUING OPERATIONS
None of the Company's activities was acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES
The Company had no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 14 form an integral part of these Financial Statements

BUFFER BEAR LIMITED

BALANCE SHEET
As at 31 August 2001

	Notes	2001 £	2001 £	2000 £	2000 £
FIXED ASSETS					
Tangible Assets	7		10842		5173
Investments	8		2		2
			10844		5175
CURRENT ASSETS					
Stocks	9	8650		14600	
Debtors	10	376987		426350	
Cash at bank and in hand		420819		195887	
		806456		636837	
CREDITORS:					
Amounts falling due within one year	11	(540151)		(377994)	
NET CURRENT ASSETS			266305		258843
TOTAL ASSETS LESS CURRENT LIABILITIES			277149		264018
CREDITORS: Amounts falling due after more than one year	12		(4733)		(849)
NET ASSETS			£ 272416		£ 263169
CAPITAL AND RESERVES					
Called Up Share Capital	13		10000		10000
Share Premium Account	14		5220		5220
Profit and Loss Account	14		107196		97949
Capital Reserve	14		150000		150000
SHAREHOLDERS' FUNDS	15		£ 272416		£ 263169

The Financial Statements were approved by the Board of Directors on 13 November 2001 and signed on their behalf by:-

Kay Turner

Dr. K. TURNER
Director

The notes on pages 7 to 14 form an integral part of these Financial Statements

BUFFER BEAR LIMITED

CASH FLOW STATEMENT
For the year ended 31 August 2001

	Note	2001 £	2001 £	2000 £	2000 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20		307208		241825
RETURNS OF INVESTMENTS AND SERVICING OF FINANCE					
Interest received		12747		98	
Interest paid		-		(3485)	
			12747		(3387)
TAXATION			(3841)		(11022)
CAPITAL EXPENDITURE					
Payments to acquire fixed assets		(11186)		(4326)	
Receipts from sales of fixed assets		-		-	
			(11186)		(4326)
INCREASE IN CASH	21		£ 304928		£ 223090

The notes on pages 7 to 14 form an integral part of these Financial Statements

BUFFER BEAR LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 August 2001

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1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The Financial Statements have been prepared under the historical cost convention.

The Financial Statements present information about the company as an individual undertaking. Consolidated Financial Statements have not been prepared as the amounts involved are not material.

1.2 Depreciation

Depreciation is provided on tangible fixed assets at rates estimated to write off the cost of each asset over its estimated useful life, as follows:-

Office Equipment	25%	straight line
Computer Equipment	25%	straight line
Photocopying Equipment	33.3%	straight line

1.3 Goodwill and Amortisation

Goodwill is valued at cost based on the surplus of net assets acquired, and is amortised on a straight line basis over five years, its estimated useful life.

1.4 Turnover

Turnover represents the net amount invoiced to customers for services rendered and is all within the UK.

1.5 Pensions

The Company operates a defined contribution pension scheme and the cost of contributions is charged to the profit and loss account in the period in which they fall due. The assets of the scheme are held within a separately administered fund.

1.6 Operating Leases

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value.

		2001 £	2000 £
2.	**OPERATING (LOSS)/PROFIT**		
	Operating (Loss)/Profit is stated after charging:-		
	Wages and Salaries (including directors emoluments - note 3)	3348752	2327209
	Social Security costs	261619	179149
	Other pension costs	47786	32781
	Other operating lease rentals	584311	317521
	Hire of Nursery Equipment	76724	71121
	Depreciation	5021	7545
	Auditors' Remuneration	6350	6000
3.	**DIRECTORS' EMOLUMENTS**		
	Aggregate emoluments paid	48683	52343
	Aggregate contributions to money purchase pension schemes	4002	4353
		52685	56696

The number of directors accruing benefits under money purchase pension schemes during the year was two (2000: two).

4. EMPLOYEE INFORMATION

The average monthly number of persons employed by the Company during the year is analysed below:-

	Number	Number
Administration and Management	9	9
Nursery staff (including part-time employees)	253	200
	262	209

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 August 2001 (Cont/d.)

		2001 £	2000 £
5.	**INTEREST PAYABLE**		
	Bank interest	-	2278
	Hire purchase interest	-	1207
		£ -	£ 3485
6.	**TAXATION**		
	The tax charge in the Financial Statements for the year comprises:-		
	United Kingdom Corporation Tax at 10%	913	3500
	Prior year adjustment	341	(475)
		£ 1254	£ 3025

7. **TANGIBLE FIXED ASSETS**

	Furniture & Office Equipment £	Computer Equipment £	Total £
Cost			
At 1 September 2000	17755	6319	24074
Additions	11186	-	11186
Disposals	(1191)	-	(1191)
At 31 August 2001	£ 27750	6319	34069
Depreciation			
At 1 September 2000	14759	4142	18901
Charge for the year	3442	1579	5021
Eliminated on Disposals	(695)	-	(695)
At 31 August 2001	£ 17506	5721	23227
Net Book Value			
At 31 August 2001	£ 10244	598	10842
At 31 August 2000	£ 2996	2177	5173

Included within furniture and office equipment are photocopier assets held under hire purchase contracts and finance leases:-

Net Book value	9467
Depreciation charge for the year	2420

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 August 2001 (Cont/d.)

		2001 £	2000 £
8.	**FIXED ASSET INVESTMENTS**		
	Shares in subsidiary undertakings:-		
	Cost		
	At 1 September 2000 and 31 August 2001	£ 2	£ 2

The Company owns 100% of the Ordinary Share Capital of a subsidiary undertaking, Buffer Bear Nurseries Limited, which is incorporated in England and has not traded since incorporation.

Consolidated Financial Statements have not been prepared as the subsidiary undertaking falls within the exclusion provided by S.229(2) in that its inclusion in the consolidation is not material for the purpose of giving a true and fair view.

		2001 £	2000 £
9.	**STOCKS**		
	Consumables, Brochures and Uniforms	8650	14600
10.	**DEBTORS**		
	Trade debtors (less provision for doubtful debts)	104632	72848
	Other debtors	67688	23320
	Amounts owed by related parties	199895	327470
	Prepayments and accrued income	4772	2712
		£ 376987	£ 426350
	Amounts owed by related parties:		
	Childcare Partners Limited	196742	324317
	Nurserynet Limited	3153	3153
		£ 199895	£ 327470

Whilst the amounts due from related parties are technically repayable on demand, it is currently envisaged that repayment will not be made until a mutually convenient time.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 August 2001 (Cont/d.)

		2001 £	2000 £
11.	**CREDITORS**		
	Amounts falling due within one year		
	Bank overdraft	-	79996
	Trade Creditors	166406	122301
	Corporation Tax	913	3500
	Other Taxes and Social Security	77126	61105
	Other Creditors - Refundable Deposits	77417	50410
	Amounts owed to group undertakings	2	2
	Hire Purchase Creditors	4733	2068
	Accruals and Deferred Income	213554	58612
		£ 540151	£ 377994
12.	**CREDITORS**		
	Amounts falling due after more than one year		
	Hire Purchase Creditors:		
	In 1-2 years	£ 4733	£ 849
13.	**CALLED UP SHARE CAPITAL**		
	Authorised:		
	25,500 'A' Shares of £1 each	25500	25500
	24,500 'B' Shares of £1 each	24500	24500
		£ 50000	£ 50000
	Allotted, Issued and Fully Paid:		
	5,100 'A' Shares of £1 each	5100	5100
	4,900 'B' Shares of £1 each	4900	4900
		£ 10000	£ 10000

The 'A' and 'B' shares are separate classes of share and carry certain rights to appoint and remove directors, but in all other respects rank pari passu.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 August 2001 (Cont/d.)

14. RESERVES

	Share Premium Account £	Capital Reserve £	Profit & Loss Account £
At 1 September 2000	5220	150000	97949
Profit for the Financial Year	-	-	9247
At 31 August 2001	£ 5220	150000	107196

The capital reserve arose on the acquisition of four nurseries on 1 May 1995 and represents the excess of the fair value of the assets acquired over the value of the consideration paid.

15. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the Financial Year	9247	31844
Opening Shareholders' Funds	263169	231325
Closing Shareholders' Funds at 31 August 2001	£ 272416	£ 263169

16. LEASE COMMITMENTS

The amounts payable in the next year in respect of the company's operating leases (excluding VAT) are shown below, analysed according to the expiry date of the leases:-

	Land and Buildings 2001 £	2000 £
Expiry date: After five years	£ 625800	£ 467666

17. RELATED PARTIES

Amounts paid to Childcare Partners Limited (a related party by reason of being under the control of common directors) during the year in respect of rent and services(excluding VAT) amounted to £467,664 (2000 : £293,439). Amounts payable in respect of equipment charges (excluding VAT) amounted to £65,000 (2000: £60,000).

During the year, the company charged Childcare Partners Limited £5,000 (2000: £93,600) in respect of consultancy services given by the directors and staff of the Company.

A balance of £196,742 was due from Childcare Partners Limited at the balance sheet date.

There are cross guarantees in place between Buffer Bear Limited and Childcare Partners Limited.

An amount of £3,153 was due from Nurserynet Limited (a related party by reason of being under the control of common directors) at the balance sheet date.

The Company had no transactions with Nurserynet Limited during the year.

18. DISCLOSURE OF CONTROL

The company was controlled by Dr. K. Turner during the year ended 31 August 2001 and the year ended 31 August 2000.

19. CONTINGENT LIABILITIES

Two employees of the Company are seeking redress against the company through the Industrial Tribunal procedure in connection with employment-related matters.

20. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating (Loss)/Profit	(2246)	18778
Depreciation Charge	5021	7545
Loss on sale of fixed assets	496	-
Prior year adjustments	-	19478
Decrease/(Increase) in stocks	5950	(9800)
Increase in debtors	(78212)	(22088)
Increase in creditors and accruals	221617	135203
Increase in parental deposits	27007	15035
Reduction in amount owing from related parties	127575	77674
Net Cash Inflow from Operating Activities	307208	241825

21. ANALYSIS OF NET FUNDS

	2000 £	Cash Flow £	Other Changes £	2001 £
Cash at bank and in hand	115891	304928	-	420819

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2001 £	2000 £
Increase in cash in the year	304928	223090
Movement in net funds in the year	304928	223090
Net funds at 1 September 2000	115891	(107199)
Net funds at 31 August 2001	420819	115891