

**System Cycle Limited**

**Directors' report and financial statements**

*for the year ended 31 October 2010*

**Registered number 03047307**

FRIDAY



\*AWWT3VNF\*

A38

08/07/2011

111

COMPANIES HOUSE

# **System Cycle Limited**

## **Directors' report and financial statements**

<i><b>Contents</b></i>	<b>Pages</b>
Directors' report	<b>1 - 2</b>
Auditors' report	<b>3</b>
Profit and loss account	<b>4</b>
Balance sheet	<b>5</b>
Notes to the financial statements	<b>6 - 13</b>

# **System Cycle Limited**

## **Directors' report**

The directors present their report and the financial statements for the year ended 31 October 2010

### **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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Principal activity**

The company's principal activities are the establishment and running of care homes.

### **Business review**

The trading results for the year and the company's financial position at the end of the year are shown in the attached statements. The company's profit before taxation was £57,779 (2009 £58,248 loss).

No dividends were paid during the year.

The results for the year are in line with expectations and represent the company's care home development activities during the year under review.

The directors consider this performance and the future outlook for the company to be satisfactory following the establishment of the care homes currently under development.

# **System Cycle Limited**

## **Directors' report**

### **Principal risks and uncertainties**

### **Financial risk management**

The company's main financial risks are related to its borrowings. The company's principal financial instruments comprise of loans.

The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company. Exposure to increased interest costs is managed through interest rate hedging instruments.

### **Directors**

The directors who served during the year are as stated below:

J P Houghton

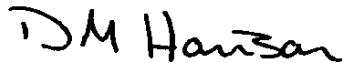
P Musgrave

D M Harrison

### **Auditors**

In accordance with Section 485 of the Companies Act 2006, The Charlton Williamson Partnership LLP will be proposed for reappointment as auditors of the company.

This report was approved by the board on 29 June 2011 and signed on its behalf by



D M Harrison

*Director*

## **Independent auditors' report to the shareholders of System Cycle Limited**

We have audited the financial statements of System Cycle Limited for the year ended 31 October 2010 on pages 4 to 13. The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2010 and of the company's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

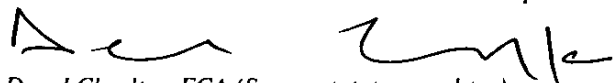
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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



*David Charlton FCA (Senior statutory auditor)*

*for and on behalf of The Charlton Williamson Partnership LLP (Statutory Auditors)*

29 June 2011

# System Cycle Limited

## Profit and loss account

for the year ended 31 October 2010

	Notes	2010 £	2009 £ as restated
<b>Turnover - continuing operations</b>	<b>2</b>	-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administrative expenses		(22,782)	(20,055)
Other operating income		10,562	-
<b>Operating loss - continuing operations</b>	<b>3</b>	(12,220)	(20,055)
Profit on disposal of tangible fixed assets		112,560	-
Interest receivable and similar income		6	98
Interest payable and similar charges	<b>5</b>	(42,567)	(38,291)
<b>Profit/(loss) on ordinary activities before taxation</b>		57,779	(58,248)
Taxation	<b>7</b>	16,483	83,097
<b>Retained profit for the financial year</b>	<b>14</b>	74,262	24,849

There are no recognised gains or losses other than the profit or loss for the above two financial years

The notes on pages 6 to 13 form an integral part of these financial statements

# System Cycle Limited

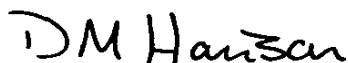
Registered number - 03047307

## Balance sheet

at 31 October 2010

	Notes	£	2010 £	£	2009 £ as restated
<b>Fixed assets</b>					
Tangible assets	8		478,939		1,047,146
Investments	9		2,206,865		2,206,865
			<u>2,685,804</u>		<u>3,254,011</u>
<b>Current assets</b>					
Debtors	10	1,507,474		1,052,067	
Cash at bank and in hand		9,980		615	
		<u>1,517,454</u>		<u>1,052,682</u>	
<b>Creditors: amounts falling due within one year</b>	11	(210,136)		(241,621)	
<b>Net current assets</b>			<u>1,307,318</u>		<u>811,061</u>
<b>Total assets less current liabilities</b>			<u>3,993,122</u>		<u>4,065,072</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(3,078,273)		(3,224,485)
<b>Net assets</b>			<u><u>914,849</u></u>		<u><u>840,587</u></u>
<b>Capital and reserves</b>					
Called up share capital	13		100		100
Profit and loss account	14		914,749		840,487
<b>Equity shareholders' funds</b>	15		<u><u>914,849</u></u>		<u><u>840,587</u></u>

The financial statements were approved by the board on 29 June 2011 and signed on its behalf by



D M Harrison  
Director

The notes on pages 6 to 13 form an integral part of these financial statements

# **System Cycle Limited**

## **Notes to the financial statements**

*for the year ended 31 October 2010*

### **1 Accounting policies**

The financial statements are prepared in accordance with United Kingdom applicable accounting standards, which have been applied consistently in both the current and prior year. The particular accounting policies adopted are described below. The true and fair override provisions of the Companies Act 2006 have been invoked - see 'tangible fixed assets and depreciation'.

#### ***Accounting convention***

The financial statements are prepared under the historical cost convention.

The company is exempt from the requirement of Financial Reporting Standard 1 'Cash Flow Statements (Revised)' to present a cash flow statement because the ultimate and controlling undertaking of the largest group which includes the company and for which group accounts are prepared is Executive Care Group Limited, whose group financial statements are publicly available.

#### ***Consolidation***

The directors have taken advantage of the exemption conferred by section 400 of the Companies Act 2006 from the requirement to prepare group accounts. In the opinion of the directors, the company is eligible for this exemption on the grounds that it is itself a subsidiary undertaking. Accordingly, the company's financial statements present information about it as an individual undertaking and not about its group.

#### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold property	-	not depreciated
-------------------	---	-----------------

The freehold buildings have not been depreciated during the year under review in accordance with the true and fair principle; the directors believe that this represents a more accurate view.

#### ***Investments***

Fixed asset investments are stated at cost less provision for diminution in value.



# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2010

### 1 Accounting policies (continued)

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement on redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

#### *Restatement of comparatives*

The comparative figures for creditors' amounts falling due within one year and creditors' amounts falling due after more than one year have been restated so as to be consistent with the classification adopted in the current year. The effect was to reduce creditors' amounts falling due within one year and increase creditors' amounts falling due after more than one year by an amount of £1,842,227

The comparative figures for administrative expenses and interest payable and similar charges have been restated so as to be consistent with the classification adopted in the current year. The effect was to reduce administrative expenses and increase interest payable and similar charges by an amount of £295

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK

### 3 Operating loss

*Operating loss is stated after charging*  
Directors' remuneration

2010	2009
£	£

-	-
<u>          </u>	<u>          </u>

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2010

<b>4</b>	<b>Interest receivable and similar income</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Bank interest receivable	-	98
	Other interest receivable	6	-
		<u>6</u>	<u>98</u>

<b>5</b>	<b>Interest payable and similar charges</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
			as restated
	Bank overdraft interest	3	22
	Bank charges	16,560	295
	Bank loan interest	26,004	37,974
		<u>42,567</u>	<u>38,291</u>

## 6 Employees

### Number of employees

The average monthly numbers of employees (including the directors) during the year were

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Managerial	<u>3</u>	<u>3</u>

### Employment costs

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Wages and salaries	-	-
Social security costs	-	-
	<u>-</u>	<u>-</u>

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2010

### 7 Taxation

Analysis of credit in period	2010 £	2009 £
<b>Current tax</b>		
Group relief receivable	(15,616)	(13,790)
Prior year UK corporation tax	-	(2,685)
Prior year group relief receivable	(867)	(66,622)
	<u>(16,483)</u>	<u>(83,097)</u>
Total current tax credit	<u>(16,483)</u>	<u>(83,097)</u>
<b>Deferred tax</b>		
Total deferred tax	-	-
Tax on profit/(loss) on ordinary activities	<u>(16,483)</u>	<u>(83,097)</u>
<b>Factors affecting tax credit for period</b>		
	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	<u>57,779</u>	<u>(58,248)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	16,178	(16,309)
Expenses not deductible for tax purposes	-	2,865
Capital allowances for period in excess of depreciation	(277)	(346)
Profit on sale of tangible fixed assets to group undertaking	(31,517)	-
Group relief receivable in respect of previous year	(867)	(66,622)
Adjustments to tax charge in respect of previous periods	-	(2,685)
Current tax credit for period	<u>(16,483)</u>	<u>(83,097)</u>

### Factors that may affect future tax charges

Future taxation charges are expected to be impacted by the utilisation of tax losses carried forward

At the balance sheet date the company had an unprovided deferred tax asset amounting to £40,929 (2009 £50,104) analysed over the following timing differences at 23% (2009 28%)

	2010 £	2009 £
Decelerated capital allowances	(909)	(1,384)
Tax losses available	<u>(40,020)</u>	<u>(48,720)</u>
	<u>(40,929)</u>	<u>(50,104)</u>

# System Cycle Limited

## Notes to the financial statements for the year ended 31 October 2010

### 8 Tangible fixed assets

	Freehold land and buildings £	Total £
<i>Cost</i>		
At beginning of year	1,047,146	1,047,146
Additions	13,065	13,065
Disposals	(581,272)	(581,272)
At end of year	<u>478,939</u>	<u>478,939</u>
<i>Net book values</i>		
At 31 October 2010	<u>478,939</u>	<u>478,939</u>
At 31 October 2009	<u>1,047,146</u>	<u>1,047,146</u>

### 9 Fixed asset investments

	Shares in subsidiary undertakings £	Total £
<i>Cost</i>		
At beginning and end of year	<u>2,206,865</u>	<u>2,206,865</u>
<i>Net book values</i>		
At 31 October 2010	<u>2,206,865</u>	<u>2,206,865</u>
At 31 October 2009	<u>2,206,865</u>	<u>2,206,865</u>

The company holds 20% or more of the share capital of the following companies

Company	Country of incorporation	Nature of business	Shares held class	Proportion of shares held
Salco Homes Limited	England	Provider of care	Ordinary £1	100%
Executive Health Care Limited	England	Provider of care	Ordinary £1	100%

The aggregate amount of capital and reserves and the results of the undertakings for the last relevant financial year were as follows

	Capital and reserves £	Profit/(loss) for the year £
Salco Homes Limited	1,312,156	134,420
Executive Health Care Limited	<u>(502,029)</u>	<u>(29,026)</u>

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2010

10	Debtors	2010 £	2009 £
	Amounts due from other group undertakings	1,486,353	626,510
	Group relief receivable	16,483	80,412
	Other debtors	-	333,295
	Prepayments and accrued income	4,638	11,850
		<u>1,507,474</u>	<u>1,052,067</u>
Amounts due from other group undertakings are due after more than one year			
11	Creditors: amounts falling due within one year	2010 £	2009 £ as restated
	Bank loans (secured)	199,318	210,046
	Trade creditors	6,745	12,133
	Other creditors	-	14,800
	Accruals and deferred income	4,073	4,642
		<u>210,136</u>	<u>241,621</u>
12	Creditors: amounts falling due after more than one year	2010 £	2009 £ as restated
	Bank loans (secured)	1,197,374	1,382,258
	Amounts owed to other group undertakings	789,429	876,970
	Amount owed to ultimate parent undertaking	18,380	122,590
	Amount owed to subsidiary undertaking	1,073,090	842,667
		<u>3,078,273</u>	<u>3,224,485</u>
	<b>Bank loans</b>		
	Repayable in one year or less, or on demand (Note 11)	199,318	210,046
	Repayable between one and two years	203,088	213,752
	Repayable between two and five years	661,429	664,147
	Repayable in five years or more	332,857	504,359
		<u>1,396,692</u>	<u>1,592,304</u>

The bank loans are secured by fixed and floating charges on the assets of the company and other companies within the group under the terms of a debenture agreement between the group companies and security trustees. In addition, a guarantee was given by one of the directors Mrs J P Houghton for the amount of £550,000

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2010

<b>13</b>	<b>Share capital</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	<i>Authorised equity</i>		
	100 Ordinary shares of £1 each	100	100
		<u>          </u>	<u>          </u>
	<i>Allotted, called up and fully paid equity</i>		
	100 Ordinary shares of £1 each	100	100
		<u>          </u>	<u>          </u>
<b>14</b>	<b>Equity Reserves</b>		
		<b>Profit and loss account</b>	<b>Total</b>
		<b>£</b>	<b>£</b>
	At beginning of year	840,487	840,487
	Profit for the year	74,262	74,262
		<u>          </u>	<u>          </u>
	At end of year	914,749	914,749
		<u>          </u>	<u>          </u>
<b>15</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Opening shareholders' funds	840,587	815,738
	Profit for the year	74,262	24,849
		<u>          </u>	<u>          </u>
	Closing shareholders' funds	914,849	840,587
		<u>          </u>	<u>          </u>

## 16 Contingent liabilities

The company is subject to an unlimited cross guarantee dated 3 June 2010 with Bramble Lodge Care Home Limited, Aspenframe Limited, Salco Homes Limited Eagle View Care Home Limited and Executive Health Care Limited. The total bank borrowings of these companies at the balance sheet date was £14,168,138 (2009 £10,746,561)

## 17 Ultimate parent undertaking

The ultimate parent company and controlling party is Executive Care Group Limited, which is incorporated in the UK and heads the smallest and the largest group in which the results of the company are consolidated

Copies of the ultimate parent company financial statements can be obtained from the Registrar of Companies in England and Wales, Crown Way, Cardiff CF14 3UZ

# **System Cycle Limited**

## **Notes to the financial statements**

*for the year ended 31 October 2010*

### **18 Related party transactions**

Advantage has been taken of the exemption available under FRS 8 whereby there is no requirement to disclose inter-group transactions and balances as the company is a wholly-owned subsidiary and the group accounts in which it is included are publicly available