

System Cycle Limited

FINANCIAL STATEMENTS

for the year ended

31 October 2011



System Cycle Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of System Cycle Limited for the year ended 31 October 2011

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the establishment and running of care homes
The company did not trade during the year

RESULTS AND DIVIDENDS AND REVIEW OF THE BUSINESS

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 loss before taxation was £54,514 (2010 £57,779 profit)

No dividends were paid during the year (2010 £nil)

The directors consider this performance and the future outlook for the company to be satisfactory

PRINCIPAL RISKS AND UNCERTAINTIES

Like all businesses the company faces a number of operating risks and uncertainties There are a number of risks that could impact on the company's long-term performance and steps are taken to understand and evaluate these

FINANCIAL RISK MANAGEMENT

The company's main financial risks are related to its borrowings The company's principal financial instruments comprise loans and cash as well as various items that arise directly from its operations, including trade debtors and trade creditors

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 by the group

The credit risk attributable to trade debtors is minimal as the majority of fees are paid by local authorities and the incidence of bad debt on private fee payers is minimal

DIRECTORS

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

D M Harrison
J P Houghton
P Musgrave

P Musgrave resigned as a director on 27 April 2012

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

System Cycle Limited

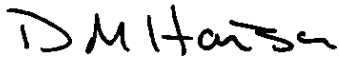
DIRECTORS' REPORT

AUDITOR

The directors, having been notified of the cessation of The Charlton Williamson Partnership LLP following their merger with Baker Tilly UK Audit LLP, resolved that Baker Tilly UK Audit LLP be appointed auditor with effect from 3 October 2011

The auditor, Baker Tilly UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006

On behalf of the board



D M Harrison

Director

26 July 2012

System Cycle Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the 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 company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYSTEM CYCLE LIMITED

We have audited the financial statements on pages 5 to 12. The financial reporting framework that has been applied in their preparation is 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 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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the 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 and express an opinion on 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the 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 2011 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.

Opinion on other matter 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.

Baker Tilly UK Audit LLP

CLAIRE LEECE (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

1 St James' Gate

Newcastle Upon Tyne

NE1 4AD

26 July 2012

System Cycle Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2011

	<i>Notes</i>	2011 £	2010 £
TURNOVER		—	—
Cost of sales		570	—
Gross profit		570	—
Administrative expenses		21,666	(22,782)
Other operating income	1	4	10,562
OPERATING PROFIT/(LOSS)	2	22,240	(12,220)
Profit on disposal of tangible fixed assets		—	112,560
Interest receivable		—	6
		22,240	100,346
Interest payable and similar charges	4	(76,754)	(42,567)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(54,514)	57,779
Taxation	5	14,837	16,483
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	14	(39,677)	74,262

The loss/profit for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

System Cycle Limited

BALANCE SHEET

31 October 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	6	507,139	478,939
Investments	7	2,206,865	2,206,865
		<u>2,714,004</u>	<u>2,685,804</u>
CURRENT ASSETS			
Debtors	8	1,466,996	1,507,474
Cash at bank and in hand		1,762	9,980
		<u>1,468,758</u>	<u>1,517,454</u>
CREDITORS			
Amounts falling due within one year	9	(183,343)	(210,136)
NET CURRENT ASSETS		<u>1,285,415</u>	<u>1,307,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,999,419</u>	<u>3,993,122</u>
CREDITORS			
Amounts falling due after more than one year	10	(3,124,247)	(3,078,273)
		<u>875,172</u>	<u>914,849</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	875,072	914,749
SHAREHOLDERS' FUNDS	15	<u>875,172</u>	<u>914,849</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on

26 July 2012 and are signed on their behalf by

D M Harrison

D M Harrison
Director

System Cycle Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised 1996) 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.

FIXED ASSETS

All fixed assets are initially recorded at cost

DEPRECIATION

The company's freehold land and buildings consists only of land that is held with the intention of future development and as such is not depreciated

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FINANCIAL INSTRUMENTS

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

BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the 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.

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2011

1 OTHER OPERATING INCOME

	2011	2010
	£	£
Other operating income	<u>4</u>	<u>10,562</u>

2 OPERATING PROFIT/(LOSS)

Operating profit is stated after charging

	2011	2010
	£	£
Directors remuneration	<u>-</u>	<u>-</u>

3 PARTICULARS OF EMPLOYEES

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

	2011	2010
	No	No
Managerial	<u>3</u>	<u>3</u>

No salaries or wages have been paid to employees, including the directors, during the year

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
On bank loans and overdrafts	76,441	26,007
Other interest and similar charges	<u>313</u>	<u>16,560</u>
	<u>76,754</u>	<u>42,567</u>

5 TAXATION

(a) Analysis of credit in the year

	2011	2010
	£	£
Current tax		
Group relief receivable	(14,837)	(15,616)
Prior year group relief receivable	<u>-</u>	<u>(867)</u>
Total current tax credit	<u>(14,837)</u>	<u>(16,483)</u>

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2011

5 TAXATION (continued)

(b) Factors affecting current tax credit

The tax assessed on the (loss)/profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 26.83% (2010 - 28%), as explained below

	2011 £	2010 £
(Loss)/profit on ordinary activities before taxation	<u>(54,514)</u>	<u>57,779</u>
(Loss)/profit on ordinary activities by rate of tax	(14,625)	16,178
Effects of		
Capital allowances for period in excess of depreciation	(212)	(277)
Profit on sale of tangible fixed assets to group undertaking	-	(31,517)
Group relief receivable in respect of previous year	-	(867)
Total current tax credit (note 5(a))	<u>(14,837)</u>	<u>(16,483)</u>

(c) Factors affecting 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 £55,792 (2010 £40,929) analysed over the following timing differences

	2011 £	Not provided 2010 £
Decelerated capital allowances	(759)	(909)
Tax losses available	<u>(41,760)</u>	<u>(40,020)</u>
	<u>(42,519)</u>	<u>(40,929)</u>

6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Total £
Cost		
At 1 November 2010	478,939	478,939
Additions	28,200	28,200
At 31 October 2011	<u>507,139</u>	<u>507,139</u>
Net book value		
At 31 October 2011	<u>507,139</u>	<u>507,139</u>
At 31 October 2010	<u>478,939</u>	<u>478,939</u>

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2011

7 INVESTMENTS

	Shares in subsidiary undertakings £	Total £
Cost		
At 1 November 2010 and 31 October 2011	<u>2,206,865</u>	<u>2,206,865</u>
Net book value		
At 31 October 2011 and 31 October 2010	<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 for the year £
Salco Homes Limited	1,396,439	84,283
Executive Health Care Limited	<u>(394,109)</u>	<u>107,920</u>

8 DEBTORS

	2011 £	2010 £
Amounts owed by group undertakings	1,410,573	1,486,353
Other debtors	486	–
Group relief receivable	14,837	16,483
Prepayments and accrued income	41,100	4,638
	<u>1,466,996</u>	<u>1,507,474</u>

Amounts due from group undertakings are due after more than one year

9 CREDITORS Amounts falling due within one year

	2011 £	2010 £
Bank loans	173,183	199,318
Trade creditors	3,629	6,745
Accruals and deferred income	6,064	4,073
Other creditors	467	–
	<u>183,343</u>	<u>210,136</u>

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2011

9 CREDITORS Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2011 £	2010 £
Bank loans	<u>173,183</u>	<u>199,318</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

10 CREDITORS Amounts falling due after more than one year

	2011 £	2010 £
Bank loans	1,053,065	1,197,374
Amounts owed to group undertakings	2,071,182	1,880,899
	<u>3,124,247</u>	<u>3,078,273</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2011 £	2010 £
Bank loans	<u>1,053,065</u>	<u>1,197,374</u>

	2011 £	2010 £
Bank loans		
Repayable in one year or less, or on demand (note 9)	173,183	199,318
Repayable between one and two years	176,257	203,088
Repayable between two and five years	563,695	661,429
Repayable in five years or more	313,113	332,857
	<u>1,226,248</u>	<u>1,396,692</u>

The company's bank loan is repayable by monthly instalments until 2019 and bears interest at 1.75%

11 CONTINGENT LIABILITIES

The company is subject to an unlimited cross guarantee dated 3 June 2010 with fellow subsidiary undertakings, Bramble Lodge Care Home Limited, Aspenframe Limited, Salco Homes Limited, Executive Health Care Limited and Eagle View Care Home Limited. The total bank borrowings of these companies at the balance sheet date was £15,253,258 (2010 £14,168,138)

12 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption available under FRS8 whereby there is no requirement to disclose intercompany transactions and balances as the company is a wholly owned subsidiary and the group of accounts of which it is included are publicly available

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2011

13 SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14 PROFIT AND LOSS ACCOUNT

	2011 £	2010 £
At the beginning of the year	914,749	840,487
(Loss)/profit for the financial year	<u>(39,677)</u>	<u>74,262</u>
At the end of the year	<u>875,072</u>	<u>914,749</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
(Loss)/profit for the financial year	(39,677)	74,262
Opening shareholders' funds	<u>914,849</u>	<u>840,587</u>
Closing shareholders' funds	<u>875,172</u>	<u>914,849</u>

16 ULTIMATE PARENT COMPANY

The company's 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 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