

System Cycle Limited

FINANCIAL STATEMENTS

for the year ended

31 March 2015

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COMPANIES HOUSE

System Cycle Limited

STRATEGIC REPORT

for the year ended 31 March 2015

BUSINESS REVIEW AND MATTERS OF STRATEGIC IMPORTANCE

The principal activity of the company during the year was the establishment and running of care homes, however the company did not trade during the year. The company continues to hold investments in profitable subsidiary undertakings. With the support of the new parent company, the Directors are confident that the results will improve in the future.

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.

The most fundamental risks faced by the company are:-

- if the company fails to comply with regulation, regulatory action could include, among other penalties, the revocation of a care homes licence to operate.
- the company could suffer serious negative publicity if a serious incident was to occur at one of the care homes.
- if the average weekly fee increases do not at least rise in line with costs.
- if the company fails to attract and retain nursing and other qualified staff, it may be unable to provide residents with the quality nursing care and may have to reduce the number of beds in its care homes.

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.

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.

On behalf of the board



M C Glowasky
Director

29/12/15

System Cycle Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of System Cycle Limited for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

D M Harrison
S Harrison
M C Glowasky

S Harrison resigned as a director on 3 February 2015.
M C Glowasky was appointed as a director on 3 February 2015.
D M Harrison resigned as a director on 30 June 2015.

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.

AUDITOR

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

On behalf of the board



M C Glowasky
Director

29/12/15

System Cycle Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and 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 period. 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 March 2015 and of the company's 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.

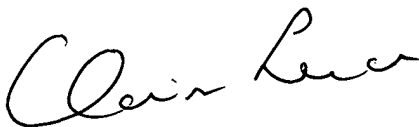
Opinion on other matter prescribed by the Companies Act 2006

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



CLAIRE LEECE (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor

1 St James' Gate

Newcastle upon Tyne

NE1 4AD

31 December 2015

System Cycle Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2015

	<i>Notes</i>	2015 £	2014 £
TURNOVER		—	—
Cost of sales		—	—
Gross profit		—	—
Administrative expenses		(9,003)	249
Other operating income	1	442	—
OPERATING (LOSS)/PROFIT	2	(8,561)	249
Interest payable and similar charges	3	(206)	(211)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,767)	38
Taxation	4	—	—
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	(8,767)	38

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 March 2015

	Notes	2015 £	2014 £
FIXED ASSETS			
Investments	5	<u>1,549,374</u>	<u>1,549,374</u>
CURRENT ASSETS			
Debtors	6	1,739,846	1,747,441
Cash at bank and in hand		<u>602</u>	<u>1,774</u>
		1,740,448	1,749,215
CREDITORS			
Amounts falling due within one year	7	<u>(750)</u>	<u>(750)</u>
NET CURRENT ASSETS		<u>1,739,698</u>	<u>1,748,465</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,289,072</u>	<u>3,297,839</u>
CREDITORS			
Amounts falling due after more than one year	8	<u>(3,226,038)</u>	<u>(3,226,038)</u>
		<u>63,034</u>	<u>71,801</u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	<u>62,934</u>	<u>71,701</u>
SHAREHOLDERS' FUNDS	13	<u>63,034</u>	<u>71,801</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 29/12/15 and are signed on their behalf by:



M.C. Glowasky
Director

System Cycle Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards, which have been applied consistently in both the current and prior period.

CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard 1 'Cash Flow Statements (Revised)' to present a cash flow statement because the immediate parent company Crossco (1332) Limited has group financial statements that 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.

GOING CONCERN

The financial statements have been prepared on the going concern basis. During the year, the group has changed funders and the new funder has confirmed to the directors its intention to continue to support the company for the foreseeable future.

The directors have prepared forecasts, which show the group's operating cash flows to be sufficient to fund the group's existing working capital requirements. Consequently the directors believe that it is appropriate to continue to prepare the financial statements on a going concern basis.

FIXED ASSET INVESTMENTS

Long term investments are classified as fixed assets. Fixed asset investments are stated at cost in the company balance sheet. Provision is made for any impairment in the value of fixed asset investments.

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 taxable profits and the 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.

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

ACCOUNTING POLICIES

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.

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

1 OTHER OPERATING INCOME

	2015	2014
	£	£
Other operating income	<u>442</u>	<u>-</u>

2 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	2015	2014
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Other interest and similar charges	<u>206</u>	<u>211</u>

4 TAXATION

(a) Analysis of charge in the year

	2015	2014
	£	£
Current tax:		
UK Corporation Tax	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the period is the same as the standard rate of corporation tax in the UK of 21.00% (2014 – 23.00%), as explained below:

	2015	2014
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(8,767)</u>	<u>38</u>
(Loss)/profit on ordinary activities by rate of tax	(1,841)	9
Effects of:		
Expenses not deductible for tax purposes	399	-
Capital allowances for period in excess of depreciation	(74)	(98)
Loss on sale of tangible fixed assets	-	-
Unrelieved tax losses	<u>1,516</u>	<u>89</u>
Total current tax charge (note 4(a))	<u>-</u>	<u>-</u>

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

4 TAXATION (continued)

(c) Factors affecting future tax charges

At the balance sheet date the company had an unprovided deferred tax asset amounting to £34,920 (2014: £35,268) analysed over the following timing differences:

	2015 £	2014 £
Decelerated capital allowances	(319)	(390)
Tax losses available	(34,601)	(34,878)
	<u>(34,920)</u>	<u>(35,268)</u>

5 INVESTMENTS

	Subsidiary undertakings shares £
Cost	
At 1 April 2014 and 31 March 2015	<u>2,206,865</u>
Provisions for diminution in value:	
At 1 April 2014 and 31 March 2015	<u>657,491</u>
Net book value	
At 31 March 2015	<u>1,549,374</u>
At 31 March 2014	<u>1,549,374</u>

The company has investments in the following subsidiary undertakings:

Company	Country of incorporation	Nature of business	Class and % of shares held
Executive Health Care Limited	England	Care home operator	Ordinary, 100%
Salco Homes Limited	England	Care home operator	Ordinary, 100%

6 DEBTORS

	2015 £	2014 £
Amounts owed by group undertakings	1,739,846	1,740,351
Group relief receivable	-	7,090
	<u>1,739,846</u>	<u>1,747,441</u>

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

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

7 CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Other creditors	<u>750</u>	<u>750</u>

8 CREDITORS: Amounts falling due after more than one year

	2015	2014
	£	£
Amounts owed to group undertakings	<u>3,226,038</u>	<u>3,226,038</u>

9 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 £Nil (2014: £3,013,379).

10 RELATED PARTY TRANSACTIONS

Under FRS 8, 'Related Party Disclosures', the company is exempt from the requirements to provide details of transactions with other members of the group headed by Crossco (1332) Limited.

Included within amounts owed by group undertakings are the following balances:

	2015
	£
Windmill Hills Care Home Limited	1,594
Executive Care Developments Limited	600,000
World Trade Properties Limited	<u>539</u>

Included within amounts owed to group undertakings are the following balances:

	2015
	£
Express Care Limited	122,188
Express Care (Guest Service) Limited	43
Primrose Care Home Limited	111
Dolphin Property Company Limited	594,605
Hillcrest Care Homes Limited	<u>11,892</u>

System Cycle Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

11 SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid: 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

12 PROFIT AND LOSS ACCOUNT

	2015 £	2014 £
At the beginning of the year	71,701	71,663
(Loss)/profit for the financial year	<u>(8,767)</u>	<u>38</u>
At the end of the year	<u>62,934</u>	<u>71,701</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £	2014 £
(Loss)/profit for the financial year	(8,767)	38
Opening shareholders' funds	<u>71,801</u>	<u>71,763</u>
Closing shareholders' funds	<u>63,034</u>	<u>71,801</u>

14 ULTIMATE PARENT COMPANY

The company's immediate parent company is Crossco (1332) Limited, a company incorporated in the UK, following the acquisition of shares from Executive Care Group Limited (in a share for share exchange) on 15 October 2013.

The company's ultimate parent undertaking was Executive Care Group Limited. Executive Care Group Limited went into administration on 26 November 2014. On the same date the share capital of the company was acquired by Butterfly Group Healthcare Limited (formerly Conduit Street Holdings 1 Limited). At the date of signing the accounts, the directors consider that the company is controlled by Monarch Master Funding 1 (Luxembourg) Sarl, a company registered in Luxembourg. In the opinion of the directors there is no other ultimate controlling party.