

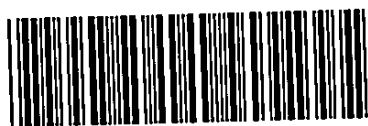
**System Cycle Limited**

**Directors' report and financial statements**

*for the year ended 31 October 2009*

**Registered number 03047307**

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# **System Cycle Limited**

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

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# **System Cycle Limited**

## **Directors' report**

The directors present their report and the financial statements for the year ended 31 October 2009

### **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 loss before taxation was £58,248 (2008: £715,359 profit).

No dividends were paid during the year.

The results for the year are in line with expectations following the disposal of a trading operation in the previous year 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**

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. Exposure to increased interest costs is managed through interest rate hedging instruments.

### **Post balance sheet events**

On 13 November 2009 freehold land and buildings of £513,407 were transferred from the company at cost to Bramble Lodge Care Home Limited, a fellow subsidiary company.

### **Directors**

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

J P Houghton


P Musgrave (appointed 22 May 2009)

D M Harrison (appointed 1 July 2009)

### **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 15 June 2010 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 2009 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 2009 and of the company's result 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)*

**15 JUNE 2010**

# System Cycle Limited

## Profit and loss account

for the year ended 31 October 2009

	Notes	2009 £	2008 £
<b>Turnover - continuing operations</b>	<b>2</b>	-	497,563
Cost of sales		-	(322,980)
<b>Gross profit</b>		-	174,583
Administrative expenses		(20,350)	(114,140)
<b>Operating (loss)/profit - continuing operations</b>	<b>3</b>	(20,350)	65,928
Profit on disposal of operations		-	800,908
Interest receivable and similar income		98	7,987
Interest payable and similar charges	<b>5</b>	(37,996)	(159,464)
<b>(Loss)/profit on ordinary activities before taxation</b>		(58,248)	715,359
Taxation	<b>7</b>	83,097	(130,477)
<b>Retained profit for the financial year</b>	<b>14</b>	24,849	584,882

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

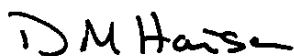
Registered number - 03047307

## Balance sheet

at 31 October 2009

	Notes	£	2009 £	£	2008 £
<b>Fixed assets</b>					
Tangible assets	8		1,047,146		853 314
Investments	9		2,206,865		2 206,865
			<u>3,254,011</u>		<u>3,060,179</u>
<b>Current assets</b>					
Debtors	10	1,052,067		957,551	
Cash at bank and in hand		615		8,520	
		<u>1,052,682</u>		<u>966,071</u>	
<b>Creditors: amounts falling due within one year</b>	11	(2,083,848)		(1,609,925)	
<b>Net current liabilities</b>			(1,031,166)		(643 854)
<b>Total assets less current liabilities</b>			<u>2,222,845</u>		<u>2 416 325</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(1,382,258)		(1,600,587)
<b>Net assets</b>			<u>840,587</u>		<u>815 738</u>
<b>Capital and reserves</b>					
Called up share capital	13		100		100
Profit and loss account	14		840,487		815,638
<b>Equity shareholders' funds</b>	15		<u>840,587</u>		<u>815 738</u>

The financial statements were approved by the board on 15 June 2010 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 2009

### 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.

#### *Turnover*

Turnover represents net invoiced amount of services provided.

#### *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
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The freehold buildings have not been depreciated during the period 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 2009

### 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

### 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)/profit	2009	2008
		£	£
	<i>Operating (loss)/profit is stated after charging</i>		
	Directors' remuneration	-	-
	Depreciation and other amounts written off tangible assets	-	5,672
	Auditors' remuneration	-	2 500
		<u>-</u>	<u>8 172</u>
	<i>and after crediting</i>		
	Government grants	-	5,485
		<u>-</u>	<u>5,485</u>
4	Interest receivable and similar income	2009	2008
		£	£
	Bank interest receivable	98	7,987
		<u>98</u>	<u>7,987</u>
5	Interest payable and similar charges	2009	2008
		£	£
	Bank overdraft interest	22	4,387
	Bank loan interest	37 974	155,077
		<u>37,996</u>	<u>159 464</u>

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2009

### 6 Employees

#### Number of employees

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

	2009 Number	2008 Number
Operational staff	-	32
Managerial	3	3
	<u>3</u>	<u>35</u>

#### Employment costs

	2009 £	2008 £
Wages and salaries	-	274,321
Social security costs	-	19,217
	<u>-</u>	<u>293,538</u>

### 7 Taxation

Analysis of (credit)/charge in period	2009 £	2008 £
<b>Current tax</b>		
UK corporation tax	-	2 685
Group relief (receivable)/payable	(13,790)	127,792
	<u>(13,790)</u>	<u>130 477</u>
Prior year UK corporation tax	(2,685)	-
Prior year group relief receivable	(66,622)	-
	<u>(83,097)</u>	<u>130,477</u>
Total current tax (credit)/charge	<u>(83,097)</u>	<u>130 477</u>
<b>Deferred tax</b>		
Total deferred tax	-	-
Tax on (loss)/profit on ordinary activities	<u>(83 097)</u>	<u>130 477</u>

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2009

### 7 Taxation (continued)

#### Factors affecting tax (credit)/charge for period

	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation	<u>(58,248)</u>	<u>715,359</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28%)	(16,309)	200 301
Expenses not deductible for tax purposes	2 865	187
Income not taxable	-	(70,288)
Capital allowances for period in excess of depreciation	(346)	1,098
Tax payable at lower rate	-	(967)
Other	-	146
Group relief receivable in respect of previous year	(66,622)	-
Adjustments to tax charge in respect of previous periods	<u>(2,685)</u>	<u>-</u>
Current tax (credit)/charge for period	<u>(83,097)</u>	<u>130,477</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 £50,104 (2008 £50,450) analysed over the following timing differences at 28% (2008 28%)

	2009 £	2008 £
Accelerated capital allowances	(1,384)	(1 730)
Tax losses available	<u>(48,720)</u>	<u>(48 720)</u>
	<u>(50,104)</u>	<u>(50,450)</u>

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2009

### 8 Tangible fixed assets

	Freehold land and buildings £	Total £
<i>Cost</i>		
At beginning of year	853,314	853,314
Additions	193,832	193,832
At end of year	1,047,146	1,047,146
<i>Net book values</i>		
At 31 October 2009	1,047,146	1,047,146
At 31 October 2008	853,314	853,314

### 9 Fixed asset investments

	Shares in subsidiary undertakings £	Total £
<i>Cost</i>		
At beginning and end of year	2,206,865	2,206,865
<i>Net book values</i>		
At 31 October 2009	2,206,865	2,206,865
At 31 October 2008	2,206,865	2,206,865

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 this undertaking for the last relevant financial year were as follows

	Capital and reserves £	Profit/(loss) for the year £
Salco Homes Limited	1,177,736	63,931
Executive Health Care Limited	(473,003)	(279,294)

# System Cycle Limited

## Notes to the financial statements

for the year ended 31 October 2009

<b>10</b>	<b>Debtors</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Amounts due from other group undertakings	626,510	623,967
	Amount due from parent undertaking	-	2,973
	Group relief receivable	80,412	-
	Other debtors	333,295	329,707
	Prepayments and accrued income	11,850	904
		<u>1,052,067</u>	<u>957,551</u>
<b>11</b>	<b>Creditors: amounts falling due within one year</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Bank loans (secured)	210,046	187,755
	Trade creditors	12,133	2,836
	Amounts owed to other group undertakings	876,970	638,826
	Amount owed to ultimate parent undertaking	122,590	-
	Amount owed to subsidiary undertaking	842,667	600,635
	Group relief payable	-	127,792
	Corporation tax	-	2,685
	Directors' account	-	221
	Other creditors	14,800	30,986
	Accruals and deferred income	4,642	18,189
		<u>2,083,848</u>	<u>1,609,925</u>
<b>12</b>	<b>Creditors: amounts falling due after more than one year</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Bank loans (secured)	1,382,258	1,589,987
	Accruals and deferred income	-	10,600
		<u>1,382,258</u>	<u>1,600,587</u>
	<b>Loans</b>		
	Repayable in one year or less, or on demand (Note 11)	210,046	187,755
	Repayable between one and two years	213,752	202,537
	Repayable between two and five years	664,147	635,660
	Repayable in five years or more	504,359	751,790
		<u>1,592,304</u>	<u>1,777,742</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 2009

<b>13</b>	<b>Share capital</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	<i>Authorised equity</i>		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<i>Allotted, called up and fully paid equity</i>		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</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	815,638	815 638
	Profit for the year	24,849	24,849
	At end of year	<u>840,487</u>	<u>840,487</u>
<b>15</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Opening shareholders' funds	815,738	230,856
	Profit for the year	24,849	584,882
	Closing shareholders' funds	<u>840,587</u>	<u>815 738</u>

## 16 Contingent liabilities

The company is subject to an unlimited cross guarantee with Salco Homes Limited a subsidiary undertaking. The total bank borrowings of this company at the balance sheet date was £516 781 (2008 £552,946)

## 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 2009*

### 18 Post balance sheet events

On 13 November 2009 freehold land and buildings of £513,407 were transferred from the company at cost to Bramble Lodge Care Home Limited, a fellow subsidiary company

### 19 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

During the year consultancy fees of £nil (2008 £2,200) have been paid to family members of director J P Houghton

Included within other debtors are the following balances due from non-group companies in which Mrs J P Houghton, Mr P Musgrave and Mr D M Harrison are directors

	2009	2008
	£	£
Aspenframe Limited	300,610	300,610
Eagle View Care Limited	30,000	25,000