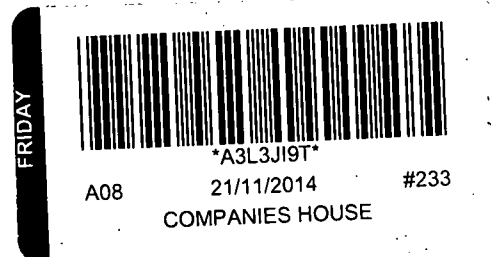


**System Cycle Limited**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended  
31 March 2013



# System Cycle Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of System Cycle Limited for the period from 1 November 2011 to 31 March 2013.

### PRINCIPAL ACTIVITIES

The group's principal activities during the period were the establishment and operation of care homes.

### RESULTS AND DIVIDENDS AND REVIEW OF THE BUSINESS

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements.

No dividends were paid during the period (2011: £nil).

### PRINCIPAL RISKS AND UNCERTAINTIES

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

The most fundamental risks faced by the group are:-

- if the group fails to comply with regulation, regulatory action could include, among other penalties, the revocation of a care homes licence to operate;
- the group 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 group 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 INSTRUMENTS

The group's main financial risks are related to its borrowings. The group'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 group. Exposure to increased interest costs is managed by the group. The liquidity risk of the group is low because of the strong cash generation from operations and the use of bank loans for the funding of acquisitions and major capital expenditure projects. 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.

### GOING CONCERN

After making appropriate enquiries the directors have reasonable expectation that the group is well placed to manage its business risks successfully and has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

# System Cycle Limited

## DIRECTORS' REPORT

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### DIRECTORS

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

JP Houghton  
P Musgrave  
D M Harrison

P Musgrave resigned as a director on 27 April 2012.  
JP Houghton resigned as a director on 14 October 2013.  
S Harrison was appointed a director on 14 October 2013.

### 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, 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

19/11/14

# 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 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 group and the company and of the profit or loss of the group* 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SYSTEM CYCLE LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 5 to 19. 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 group's and parent company's affairs as at 31 March 2013 and of the group's loss for the period 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 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 BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

1 St James Gate

Newcastle upon Tyne

NE1 4AD

20/11/14

# System Cycle Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period from 1 November 2011 to 31 March 2013

	Notes	Period from 1 Nov 11 to 31 Mar 13 £	31 Oct 11 £
GROUP TURNOVER	2	3,290,794	2,009,267
Cost of sales		(1,774,255)	(1,056,017)
Gross profit		1,516,539	953,250
Administrative expenses		(1,318,225)	(419,004)
Other operating income	3	1,681	733
OPERATING PROFIT	4	199,995	534,979
Attributable to:			
Operating profit before exceptional item		745,324	534,979
Exceptional item	4	(545,329)	-
		199,995	534,979
Loss on disposal of tangible fixed assets		(124,959)	-
		75,036	534,979
Interest receivable		-	211
		75,036	535,190
Interest payable and similar charges	6	(478,045)	(333,679)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(403,009)	201,511
Taxation	7	(74,799)	(96,124)
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	18	(477,808)	105,387

Turnover and Operating Profit are derived from the Group'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.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

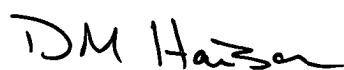
# System Cycle Limited

## CONSOLIDATED BALANCE SHEET

31 March 2013

	Notes	31 Mar 13 £	31 Oct 11 £
<b>FIXED ASSETS</b>			
Intangible assets	8	83,446	695,556
Tangible assets	9	5,646,389	6,173,606
		<u>5,729,835</u>	<u>6,869,162</u>
<b>CURRENT ASSETS</b>			
Debtors	11	2,716,276	1,957,944
Cash at bank and in hand		30,844	35,209
		<u>2,747,120</u>	<u>1,993,153</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	(5,110,845)	(1,329,300)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(2,363,725)</u>	<u>663,853</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,366,110</u>	<u>7,533,015</u>
<b>CREDITORS</b>			
Amounts falling due after one year	13	(3,345,503)	(7,060,353)
<b>PROVISIONS FOR LIABILITIES</b>	14	(132,222)	(106,469)
		<u>(111,615)</u>	<u>366,193</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	100	100
Profit and loss account	18	(111,715)	366,093
<b>(DEFICIT)/SHAREHOLDERS' FUNDS</b>	19	<u>(111,615)</u>	<u>366,193</u>

The financial statements on pages 5 to 19 were approved by the board of directors and authorised for issue on 19/11/14 and are signed on its behalf by:



D M Harrison  
Director

**System Cycle Limited**  
**COMPANY BALANCE SHEET**  
**31 March 2013**

	Notes	31 Mar 13 £	31 Oct 11 £
<b>FIXED ASSETS</b>			
Tangible assets	9	—	507,139
Investments	10	1,549,374	2,206,865
		<u>1,549,374</u>	<u>2,714,004</u>
<b>CURRENT ASSETS</b>			
Debtors	11	1,747,378	1,466,996
Cash at bank and in hand		499	1,762
		<u>1,747,877</u>	<u>1,468,758</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	—	(183,343)
<b>NET CURRENT ASSETS</b>		<u>1,747,877</u>	<u>1,285,418</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,297,251</u>	<u>3,999,419</u>
<b>CREDITORS</b>			
Amounts falling due after one year	13	(3,225,488)	(3,124,247)
		<u>71,763</u>	<u>875,172</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	100	100
Profit and loss account	18	71,663	875,072
<b>SHAREHOLDERS' FUNDS</b>	19	<u>71,763</u>	<u>875,172</u>

The financial statements on pages 5 to 19 were approved by the board of directors and authorised for issue on 19/11/14 and are signed on its behalf by:



D M Harrison  
 Director



# System Cycle Limited

## CASH FLOW STATEMENT

for the period from 1 November 2011 to 31 March 2013

	<i>Notes</i>	31 Mar 13 £	31 Oct 11 £
Net cash inflow from operating activities	21	350,721	681,699
Returns on investments and servicing of finance	21	(478,045)	(333,468)
Taxation	21	(58,957)	18,787
Capital expenditure	21	378,135	(370,347)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>191,854</u>	<u>(3,329)</u>
Financing	21	(538,827)	3,532
(DECREASE)/INCREASE IN CASH IN THE PERIOD		<u>(346,973)</u>	<u>203</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 22)			
(Decrease)/increase in cash in period		(346,973)	203
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		1,719,383	2,091,852
New bank loans		(1,180,556)	(2,095,384)
Change in net debt resulting from cash flows		<u>191,854</u>	<u>(3,329)</u>
MOVEMENT IN NET DEBT IN THE PERIOD		191,854	(3,329)
NET DEBT AT 31 OCTOBER 2011		(4,976,715)	(4,973,386)
NET DEBT AT 31 MARCH 2013		<u>(4,784,861)</u>	<u>(4,976,715)</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

---

### 1 ACCOUNTING POLICIES

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.

#### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 March 2013. The acquisition method of accounting has been adopted. Under this method the results of the subsidiary undertaking acquired in the period are included in the consolidated profit and loss account from the date of acquisition.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### GOING CONCERN

The financial statements have been prepared on the going concern basis. Post year end the group have 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, with the intended support of the funder. Consequently the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

#### TURNOVER

Turnover represents the amounts receivable for services provided in the normal course of business during the period. The turnover of the group is derived from its principal activities carried out in the United Kingdom.

#### GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life of 20 years. Provision is made for any impairment.

#### FIXED ASSETS

All fixed assets are initially recorded at cost, net of any provision for impairment.

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

---

### 1 ACCOUNTING POLICIES *(continued)*

#### DEPRECIATION

Depreciation is provided on all tangible fixed assets, other than freehold land at rates calculated to write off the cost less its estimated residual value, of each asset over its expected useful economic life as follows:

Fixtures, fittings and equipment	-	15% straight line
Computer equipment	-	25% straight line
Motor vehicles	-	25% straight line

No depreciation is provided on freehold and long leasehold property as the group follows a programme of regular maintenance of property to maintain it to such a high standard that in the opinion of the directors, the residual value would be sufficiently high to make any depreciation charge in the current year or prior year immaterial. All repairs and permanent diminution in value are charged to the profit and loss account.

#### 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.

#### 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 Group after deducting all of its liabilities.

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 2 TURNOVER

The total turnover of the group for the year has been derived from its principal activities wholly undertaken in the UK.

### 3 OTHER OPERATING INCOME

	Period from 1 Nov 11 to 31 Mar 13	31 Oct 11
	£	£
Other operating income	<u>1,681</u>	<u>733</u>

### 4 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period from 1 Nov 11 to 31 Mar 13	31 Oct 11
	£	£
Directors' remuneration	-	-
Amortisation of intangible fixed assets	66,781	47,139
Depreciation of owned fixed assets	24,123	15,892
Auditors' remuneration	3,728	3,550
Exceptional items:		
Impairment charged against goodwill	<u>545,329</u>	<u>-</u>

### 5 PARTICULARS OF EMPLOYEES

The average number of full time and part time persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Period from 1 Nov 11 to 31 Mar 13	31 Oct 11
	£	£
Operational	83	83
Administration/managerial	<u>8</u>	<u>8</u>
	91	91

The aggregate payroll costs of these persons were as follows:

	Period from 1 Nov 11 to 31 Mar 13	31 Oct 11
	£	£
Wages and salaries	1,556,192	919,248
Social security costs	<u>81,241</u>	<u>55,746</u>
	<u>1,637,433</u>	<u>974,994</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 Nov 11 to 31 Mar 13 £	31 Oct 11 £
On bank loans and overdrafts	464,589	314,516
Other interest and similar charges	13,456	19,163
	<u>478,045</u>	<u>333,679</u>

### 7 TAXATION ON ORDINARY ACTIVITIES

#### (a) Analysis of credit in the period

	Period from 1 Nov 11 to 31 Mar 13 £	31 Oct 11 £
Current tax:		
Group relief receivable	(7,090)	(14,837)
Group relief payable	56,136	40,353
UK corporation tax in respect of previous periods	-	31,270
Total current tax charge	<u>49,046</u>	<u>56,786</u>
Deferred tax:		
Origination and reversal of timing differences	25,753	39,338
Tax on (loss)/profit on ordinary activities	<u>74,799</u>	<u>96,124</u>

#### (b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the period is the same as the standard rate of corporation tax in the UK of 24.59% (2011 - 26.83%), as explained below:

	Period from 1 Nov 11 to 31 Mar 13 £	2011 £
(Loss)/profit on ordinary activities before taxation	<u>(403,009)</u>	<u>201,511</u>
(Loss)/profit on ordinary activities by rate of tax	(99,100)	54,065
Effects of:		
Expenses not deductible for tax purposes	162,645	268
Capital allowances for period in excess of depreciation	(21,975)	(23,805)
Loss on sale of tangible fixed assets	30,727	-
Utilisation of tax losses brought forward	(12,089)	(17,653)
Adjustment to tax charge in respect of previous period	-	31,270
Group relief	<u>(11,162)</u>	<u>12,641</u>
Total current tax charge (note 7(a))	<u>49,046</u>	<u>56,786</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 7 TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### (c) Factors affecting future tax charges

At the balance sheet date the company had an unprovided deferred tax asset amounting to £40,566 (2011: £42,519) analysed over the following timing differences:

	Period from 1 Nov 11 to 31 Mar 13 £	2011 £
Decelerated capital allowances	(546)	(759)
Tax losses available	<u>(40,020)</u>	<u>(41,760)</u>
	<u>(40,566)</u>	<u>(42,519)</u>

### 8 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Total £
Cost		
At 1 November 2011 and 31 March 2013	<u>942,786</u>	<u>942,786</u>
Amortisation		
At 1 November 2011	247,230	247,230
Charge for period	66,781	66,781
Impairment charge for period	<u>545,329</u>	<u>545,329</u>
At 31 March 2013	<u>859,340</u>	<u>859,340</u>
Net book value		
At 31 March 2013	<u>83,446</u>	<u>83,446</u>
At 31 October 2011	<u>695,556</u>	<u>695,556</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 9 TANGIBLE FIXED ASSETS

Group	Fixtures, fittings & equipment £	Motor vehicles £	Freehold land and buildings £	Total £
Cost				
At 1 November 2011	235,985	3,013	6,132,433	6,371,431
Additions	4,045	-	1,800	5,845
Disposals	-	-	(508,939)	(508,939)
At 31 March 2013	<u>240,030</u>	<u>3,013</u>	<u>5,625,294</u>	<u>5,868,337</u>
Depreciation				
At 1 November 2011	176,119	1,949	19,757	197,825
Charge for period	23,242	881	-	24,123
At 31 March 2013	<u>199,361</u>	<u>2,830</u>	<u>19,757</u>	<u>221,948</u>
Net book value				
At 31 March 2013	<u>40,669</u>	<u>183</u>	<u>5,605,537</u>	<u>5,646,389</u>
At 31 October 2011	<u>59,866</u>	<u>1,064</u>	<u>6,112,676</u>	<u>6,173,606</u>
Company			Freehold land and buildings £	Total £
Cost				
At 1 November 2011			507,139	507,139
Additions			1,800	1,800
Disposals			(508,939)	(508,939)
At 31 March 2013			<u>-</u>	<u>-</u>
Net book value				
At 31 March 2013			<u>-</u>	<u>-</u>
At 31 October 2011			<u>507,139</u>	<u>507,139</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 10 FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £
Cost	
At 1 November 2011 and 31 March 2013	<u>2,206,865</u>
Provision for diminution in value	
At 1 November 2011	–
Impairment charge for the period	<u>657,491</u>
At 31 March 2013	<u>657,491</u>
Net book value	
At 31 March 2013	<u>1,549,374</u>
At 31 October 2011	<u>2,206,865</u>

The parent company has investments in the following subsidiary undertakings:

<i>Subsidiary undertaking</i>	Country of incorporation	Nature of business	Class and percentage of share held
Executive Healthcare Limited	England	Care home operator	Ordinary, 100%
Salco Homes Limited	England	Care home operator	Ordinary, 100%

### 11 DEBTORS

	31 Mar 13	Group 31 Oct 11	31 Mar 13	Company 31 Oct 11
	£	£	£	£
Trade debtors	95,000	226,221	–	–
Amounts owed by group undertakings	2,555,571	1,654,912	1,740,288	1,410,573
Other debtors	58,615	8,069	–	486
Group relief receivable	7,090	14,837	7,090	14,837
Prepayments and accrued income	–	53,905	–	41,100
At 31 March 2013	<u>2,716,276</u>	<u>1,957,944</u>	<u>1,747,378</u>	<u>1,466,996</u>



# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 12 CREDITORS: Amounts falling due within one year

	31 Mar 13	Group 31 Oct 11	31 Mar 13	Company 31 Oct 11
	£	£	£	£
Bank loans and overdrafts	4,815,705	997,387	–	173,183
Trade creditors	46,764	26,445	–	3,629
Corporation tax	–	33,441	–	–
Other taxation and social security costs	58,905	15,472	–	–
Accruals and deferred income	–	51,341	–	6,064
Other creditors	133,335	164,861	–	467
Group relief payable	56,136	40,353	–	–
At 31 March 2013	<u>5,110,845</u>	<u>1,329,300</u>	<u>–</u>	<u>183,343</u>

The bank loans were 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 former director Mrs J P Houghton for the amount of £550,000.

The bank loan has been re-classified as due within less than one year due to a default of a condition. As disclosed in note 22, the bank loans were re-financed on 14 October 2013.

### 13 CREDITORS: Amounts falling due after more than one year

	31 Mar 13	Group 31 Oct 11	31 Mar 13	Company 31 Oct 11
	£	£	£	£
Bank loans	–	4,014,537	–	1,053,065
Amounts owed to group undertakings	3,335,503	3,045,816	3,225,488	2,071,182
Other creditors	10,000	–	–	–
At 31 March 2013	<u>3,345,503</u>	<u>7,060,353</u>	<u>3,225,488</u>	<u>3,124,247</u>

	31 Mar 13	Group 31 Oct 11	31 Mar 13	Company 31 Oct 11
	£	£	£	£
Analysis of bank debt:				
Repayable in one year or less, or on demand	4,620,090	819,078	–	173,183
Repayable between one and two years	–	531,730	–	176,257
Repayable between two and five years	–	1,722,733	–	563,695
Repayable in five years or more	–	1,760,074	–	313,113
	<u>4,620,090</u>	<u>4,833,615</u>	<u>–</u>	<u>1,226,248</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### 14 PROVISIONS FOR LIABILITIES

	Deferred taxation
Group	£
Balance brought forward	106,469
Charge for the period	25,753
Balance carried forward	<u>132,222</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	31 Mar 13	31 Oct 11
	£	£
Accelerated capital allowances	136,511	122,956
Tax losses available	<u>(4,289)</u>	<u>(16,487)</u>
	<u>132,222</u>	<u>106,469</u>

### 15 CONTINGENT LIABILITIES

The group is subject to an unlimited cross guarantee dated 3 June 2010 with fellow subsidiary undertakings, Bramble Lodge Care Home Limited, Aspenframe Limited, Executive Health Care Limited and Eagle View Care Home Limited. The total bank borrowings of these companies at the balance sheet date was £15,938,485 (2011: £15,253,258).

### 16 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption available under FRS8 whereby there is no requirement to disclose intercompany transactions and balances.

The loss on disposal of tangible fixed assets of £124,959 relates to the sale of land to Investac Pension Trustees Limited and Mrs JP Houghton, as Trustees of the Minerva SIPP for Mrs JP Houghton, a former director of the company.

### 17 SHARE CAPITAL

	31 Mar 13	31 Oct 11
	£	£
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 18 PROFIT AND LOSS ACCOUNT

Group	31 Mar 13	31 Oct 11
	£	£
At the beginning of the period	366,093	260,706
(Loss)/profit for the financial period	<u>(477,808)</u>	<u>105,387</u>
At the end of the period	<u>(111,715)</u>	<u>366,093</u>
 Company	 31 Mar 13	 31 Oct 11
	£	£
At the beginning of the period	875,072	914,749
Loss for the financial period	<u>(803,409)</u>	<u>(39,677)</u>
At the end of the period	<u>71,663</u>	<u>875,072</u>

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### 19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<b>Group</b>	<b>31 Mar 13</b>	<b>31 Oct 11</b>
	£	£
(Loss)/profit for the financial period	(477,808)	105,387
Opening shareholders' funds	366,193	260,806
Closing shareholders' funds	<u>(111,615)</u>	<u>366,193</u>
<b>Company</b>	<b>31 Mar 13</b>	<b>31 Oct 11</b>
	£	£
Loss for the financial period	(803,409)	(39,677)
Opening shareholders' funds	875,172	914,849
Closing shareholders' funds	<u>71,763</u>	<u>875,172</u>

### 20 ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is Executive Care Group Limited, which is incorporated in the UK.

### 21 NOTES TO THE CASH FLOW STATEMENT

	<b>Period from 1 Nov 11 to 31 Mar 13</b>	<b>31 Oct 2011</b>
	£	£
Reconciliation of operating (loss)/profit to net cash inflow from operating activities		
Operating profit	75,036	534,979
Depreciation, amortisation and impairment charges	636,233	63,031
Loss on disposal of tangible fixed assets	124,959	-
(Increase)/decrease in debtors	(766,079)	960,502
Increase/(decrease) in creditors	280,572	(876,813)
Net cash flow from operating activities	<u>350,721</u>	<u>681,699</u>

	<b>Period from 1 Nov 11 to 31 Mar 13</b>	<b>31 Oct 2011</b>
	£	£

Analysis of cash flows for headings netted in the cash flow statement

#### Returns on investments and servicing of finance

Interest received	-	211
Interest paid	(478,045)	(333,679)
	<u>(478,045)</u>	<u>(333,468)</u>

# System Cycle Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period from 1 November 2011 to 31 March 2013

### Taxation

Corporation tax (paid) / received	(58,957)	18,787
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### Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(5,845)	(370,347)
Receipts from sales of tangible assets	383,980	-
	<u>378,135</u>	<u>(370,347)</u>

### Financing

Increase in bank loans	1,180,556	2,095,384
Repayment of bank loans	(1,719,383)	(2,091,852)
	<u>(538,827)</u>	<u>3,532</u>

## 22 ANALYSIS OF CHANGES IN NET DEBT

	Opening balance £	Cash flows £	Other changes £	Closing balance £
Cash at bank and in hand	35,209	(4,365)	-	30,844
Overdrafts	(178,309)	(342,608)	-	(520,917)
	<u>(143,100)</u>	<u>(346,973)</u>	<u>-</u>	<u>(490,073)</u>
Debt due within one year	(819,078)	538,827	(4,014,537)	(4,294,788)
Debt due after one year	(4,014,537)	-	4,014,537	-
	<u>(4,833,615)</u>	<u>538,827</u>	<u>-</u>	<u>(4,294,788)</u>
Net debt	<u>(4,976,715)</u>	<u>191,854</u>	<u>-</u>	<u>(4,784,861)</u>

## 23 POST BALANCE SHEET EVENTS

Executive Care Group Limited completed a restructuring of its bank facilities with the principal lenders on 14 October 2013. The restructuring resulted in amended terms and aligned extended facilities which expire in October 2016.