Company Registration Number 06684578

ZEST INVESTMENT GROUP LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2018

ArmstrongWatson®

Accountants, Business & Financial Advisers

ZEST INVESTMENT GROUP LIMITED

COMPANY INFORMATION

Directors	P H Scott G K Sizer
Registered number	06684578
Registered office	2nd Floor 16 High Street Yarm Cleveland TS15 9AE
Independent auditors	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditor York House Northallerton North Yorkshire DL6 2XQ
Bankers	Santander UK plc Bootle Merseyside L30 4GB
Solicitors	DLA Piper UK LLP Princes Exchange Prices Square Leeds LS1 4BY

ZEST INVESTMENT GROUP LIMITED

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ZEST INVESTMENT GROUP LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Introduction

The directors present their report and the financial statements of the group for the year ended 30 September 2018.

Business review

The principal activity of the company during the current and prior year was the operation of care homes for the elderly.

The care home business has made steady progress during the current year. Occupancy rates improved slightly and available beds were 93.8% occupied at the year end (2017 - 93.6%).

In terms of outlook, the directors remain committed to the totem of 'quality and profit being syonymous'. We continue to focus on maximising occupancy whilst continuously improving the level of service offered. as individual homes achieve capacity and satisfactory regulatory reports, the strategy remains thereafter to improve fee rate mix by using natural occupancy churn to offer bed space to the highest potential fee payer. We continue to attempt to improve private to public fee payer mix.

In tandem service enhancements continue such as the introduction of CCTV monitoring this year and supernumerary deputy managers with a very specific focus on daily and weekly in house quality audit, staff training and supervision, staff roster management and appraisal.

Our objective remains to have all homes performing at budgeted occupancy, with excellent regulatory reports, with positive local reputations as a result. Year on year we expect incremental improvement in average fee rate and steady improvement in EBITDA contribution as a result.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties and steps are undertaken to understand and evaluate these in order to achieve our objective of providing excellent, affordable long-term care in the communities where we operate.

The key risks faced by the group are:

- failure to comply with regulation, possibly leading in extreme cases to loss of registration to operate;
- failure to achieve quality standards, possibly leading to suspension of admissions to our home;
- generating severe negative publicity were a serious incident to occur at one of our homes;
- budgeted occupancy levels not being achieved with negative impact on revenue and profitability;
- average weekly fees do not keep pace with cost inflation, putting margins under pressure;
- failure to recruit, retain and motivate the correct quality of care staff, adversely impacting the quality of care provided.

Due to the current size of the business, these risks are managed by day to day involvement in the operation of the homes by the Directors. The group also contracts with a quality audit assessor to independently assess and grade each aspect of our care service against the regulatory standards. Monthly review meetings are held between the Managing Director and each Home Manager to monitor performance of each home against its operating budget and then review and update the home's action plan, which is a permanently evolving control document.

Financial key performance indicators

The key performance indicator (KPIs) that are used by the group to monitor progress against its strategy and business plan are as follows:

KPI Description

- **Quality outcome**
  Assessment of each home using our own internal audit assessment tool, conducted by an independent consultant on a monthly basis, as well as having regard to those assessments and inspections by external agencies (contracting authorities and regulators, CQC and RQIA)

- **Average occupancy**
  The average occupancy of available beds expressed as a percentage, 93.8% (2017 - 93.6%)

- **Average weekly fee**
  The average weekly fee achieved per occupied bed, £700 per week (2017 - £672 per week)

- **Home EBITDAR before central costs**
  Home EBITDAR (Earnings before interest, tax, depreciation, amortisation and rent) before central costs. EBITDAR during the year was £892,266 (2017 - £1,359,800)

- **EBITDAR margin**
  Home EBITDAR before central costs expressed as a percentage of revenue, 10.4% (2017 - 16.6%)

EBITDAR before central costs and EBITDAR margin have been impacted by above inflationary pay awards to nusring and care staff in order to address recruitement shortages in certain loctions.

This report was approved by the board and signed on its behalf.

G K Sizer
Director

Date: 27 June 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £261,667 *(2017 - £151,216)*.

The directors recommend that no dividend be declared in respect of 2018 (2017 - £nil).

Directors

The directors who served during the year were:

P H Scott
G K Sizer

Future developments

The Directors believe sector outlook remains positive. Demographic analysis confirms an ageing population and the incidence of dementia is forever increasing as a percentage of overall client morbidity. Zest continues to increase dementia registration categories as a response to the building demographic. Health and Social care budgets for public sector supported clients aren't likely to increase materially over the next few years as public finances remain tight which in essence increases the number of people self-funding and/or paying a top up.

Employee involvement

The company gives full consideration to applications for employment from disabled persons and provides the same career prospects and scope for realising their potential as other employees. Where existing employees become disabled, it is the company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever possible. During the year, the policy of providing employees with information about the group was improved to make all employees aware of financial and economic factors affecting the performance of the company, with regular meetings being held between management and employees.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

Matters covered in the strategic report

Information is not shown in the directors' report because it is shown in the strategic report instead under S414C (11). The strategic report includes a business review, principal risks and uncertainties and financial key performance indicators.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

GK Sizer

G K Sizer
Director

Date: 27 June 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZEST INVESTMENT GROUP LIMITED

Opinion

We have audited the financial statements of Zest Investment Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZEST INVESTMENT GROUP LIMITED (CONTINUED)

required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Group Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZEST INVESTMENT GROUP LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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.

S Turner

Simon Turner (Senior Statutory Auditor)

for and on behalf of
Armstrong Watson Audit Limited

Chartered Accountants
Statutory Auditor

Northallerton
Date: 27 June 2019

ZEST INVESTMENT GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £	*2017* *£*
Turnover	4	**8,556,702**	*8,200,786*
Cost of sales		**(7,664,436)**	*(6,840,986)*
Gross profit		**892,266**	*1,359,800*
Administrative expenses		**(360,531)**	*(940,114)*
Operating profit		**531,735**	*419,686*
Interest payable and expenses	7	**(100,304)**	*(108,384)*
Profit before taxation		**431,431**	*311,302*
Tax on profit	8	**(169,764)**	*(160,086)*
Profit for the financial year		**261,667**	*151,216*
Release of deferred tax from revaluation		**7,012**	*50,330*
Other comprehensive income for the year		**7,012**	*50,330*
Total comprehensive income for the year		**268,679**	*201,546*
Profit for the year attributable to:			
Owners of the parent Company		**261,667**	*151,216*
		261,667	*151,216*

The notes on pages 14 to 28 form part of these financial statements.

ZEST INVESTMENT GROUP LIMITED
REGISTERED NUMBER: 06684578

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	10		**14,431,143**		*14,437,221*
			14,431,143		*14,437,221*
Current assets					
Debtors: amounts falling due within one year	12	**304,860**		*313,965*	
Cash at bank and in hand	13	**320,337**		*1,049,918*	
		625,197		*1,363,883*	
Creditors: amounts falling due within one year	14	**(900,866)**		*(1,001,619)*	
Net current (liabilities)/assets			**(275,669)**		*362,264*
Total assets less current liabilities			**14,155,474**		*14,799,485*
Creditors: amounts falling due after more than one year	15		**(6,985,292)**		*(8,030,225)*
Provisions for liabilities					
Deferred taxation	17	**(754,332)**		*(622,089)*	
			(754,332)		*(622,089)*
Net assets			**6,415,850**		*6,147,171*
Capital and reserves					
Called up share capital	18		**300**		*300*
Fair value reserve	19		**543,168**		*536,156*
Profit and loss account			**5,872,382**		*5,610,715*
Equity attributable to owners of the parent Company			**6,415,850**		*6,147,171*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

G K Sizer
Director

Date: 27 June 2019

The notes on pages 14 to 28 form part of these financial statements.

ZEST INVESTMENT GROUP LIMITED
REGISTERED NUMBER: 06684578

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note		2018 £		*2017 £*
Fixed assets					
Tangible assets	10		-		*-*
Investments	11		9		*9*
			9		*9*
Current assets					
Debtors: amounts falling due within one year	12	11,597,677		*11,541,303*	
Cash at bank and in hand	13	309,040		*1,040,667*	
		11,906,717		*12,581,970*	
Creditors: amounts falling due within one year	14	(1,276,064)		*(701,547)*	
Net current assets			10,630,653		*11,880,423*
Total assets less current liabilities			10,630,662		*11,880,432*
Creditors: amounts falling due after more than one year	15		(6,985,292)		*(8,030,225)*
Net assets			3,645,370		*3,850,207*
Capital and reserves					
Called up share capital	18		300		*300*
Profit and loss account carried forward			3,645,070		*3,849,907*
			3,645,370		*3,850,207*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

G K Sizer
Director

Date: 27 June 2019

The notes on pages 14 to 28 form part of these financial statements.

ZEST INVESTMENT GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Fair value reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2016	**300**	**485,826**	**5,459,499**	**5,945,625**
Comprehensive income for the year				
Profit for the year	-	-	151,216	151,216
Release of deferred tax from revaluation	-	50,330	-	50,330
Other comprehensive income for the year	-	50,330	-	50,330
Total comprehensive income for the year	-	50,330	151,216	201,546
At 1 October 2017	**300**	**536,156**	**5,610,715**	**6,147,171**
Comprehensive income for the year				
Profit for the year	-	-	261,667	261,667
Deferred tax from revaluation	-	7,012	-	7,012
Other comprehensive income for the year	-	7,012	-	7,012
Total comprehensive income for the year	-	7,012	261,667	268,679
At 30 September 2018	**300**	**543,168**	**5,872,382**	**6,415,850**

The notes on pages 14 to 28 form part of these financial statements.

ZEST INVESTMENT GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2016	**300**	**(1,443,297)**	**(1,442,997)**
Comprehensive income for the year			
Profit for the year	**-**	**5,293,204**	**5,293,204**
Total comprehensive income for the year	**-**	**5,293,204**	**5,293,204**
At 1 October 2017	**300**	**3,849,907**	**3,850,207**
Comprehensive income for the year			
Loss for the year	**-**	**(204,837)**	**(204,837)**
Total comprehensive income for the year	**-**	**(204,837)**	**(204,837)**
At 30 September 2018	**300**	**3,645,070**	**3,645,370**

The notes on pages 14 to 28 form part of these financial statements.

ZEST INVESTMENT GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	**261,667**	*151,216*
Adjustments for:		
Amortisation of loan arrangement fees	**6,667**	*-*
Depreciation of tangible assets	**130,765**	*163,190*
Impairments of fixed assets	**-**	*550,000*
Interest paid	**100,304**	*108,384*
Taxation charge	**169,764**	*160,086*
Decrease/(increase) in debtors	**9,104**	*(38,072)*
Increase/(decrease) in creditors	**107,376**	*(22,852)*
Corporation tax (paid)	**(113,637)**	*(51,726)*
Net cash generated from operating activities	**672,010**	*1,020,226*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(124,687)**	*(130,895)*
Net cash from investing activities	**(124,687)**	*(130,895)*
Cash flows from financing activities		
New secured loans	**-**	*1,115,000*
Repayment of loans	**(125,000)**	*(250,000)*
Repayment of other loans	**(1,051,600)**	*(1,492,395)*
Interest paid	**(100,304)**	*(108,384)*
Net cash used in financing activities	**(1,276,904)**	*(735,779)*
Net (decrease)/increase in cash and cash equivalents	**(729,581)**	*153,552*
Cash and cash equivalents at beginning of year	**1,049,918**	*896,366*
Cash and cash equivalents at the end of year	**320,337**	*1,049,918*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**320,337**	*1,049,918*
	320,337	*1,049,918*

The notes on pages 14 to 28 form part of these financial statements.

1. General information

Zest Investment Group Limited is the holding company to a trading group. All companies within the group are engaged in the operation of care homes for the elderly. The company operates from its registered office address at 2nd Floor, Tirrem House, 16 High Street, Yarm, Cleveland, TS15 9AE.

Zest Investment Group Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom.

These financial statements have been prepared in Pound Sterling as this is the currency of the primary economic environment in which the group operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102.

2.3 Going concern

The group's forecast and projections, taking account of reasonable possible changes in trading performance, show that the company should be able to operate comfortably within the level of the loan facility.

On this basis the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years
Motor vehicles	- 4 years
Fixtures and fittings	- 4 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2. Accounting policies (continued)

2.6 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.15 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.17 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a

2. Accounting policies (continued)

2.17 Financial instruments (continued)

rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will be, by definition, seldom equal to the related actual results.

There are no key sources of estimation uncertainty in applying the accounting policies in the financial statements.

4. Turnover

The whole of the turnover is attributable to provision of care homes for the elderly.

All turnover arose within the United Kingdom.

5. Auditors' remuneration

Fees payable to the Group's auditor for the audit of the Group's annual financial statements totalled £ *(2017 -)*.

6. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	*2017 No.*
Care staff	298	*367*
Management and administration	13	*13*
	311	*380*

Their aggregate remuneration comprised:

	2018 £	*2017 £*
Wages and salaries	4,934,195	*4,461,103*
Social security costs	348,450	*291,786*
Pension costs	43,642	*24,085*
	5,326,287	*4,776,974*

The directors received no emoluments during the current financial year or the previous financial year for their services to the company.

7. Interest payable and similar expenses

	2018 £	*2017 £*
Other loan interest payable	100,304	*108,384*
	100,304	*108,384*

8. Taxation

	2018 £	*2017 £*
Corporation tax		
Current tax on profits for the year	**30,509**	*113,635*
	30,509	*113,635*
Total current tax	**30,509**	*113,635*
Deferred tax		
Origination and reversal of timing differences	**153,179**	*54,063*
Changes to tax rates	**(16,124)**	*(7,612)*
Adjustment in respect of prior years	**2,200**	-
Total deferred tax	**139,255**	*46,451*
Taxation on profit on ordinary activities	**169,764**	*160,086*

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2017 - higher than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.5%)*. The differences are explained below:

	2018 £	*2017 £*
Profit on ordinary activities before tax	**431,431**	*311,302*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%)	**81,972**	*60,700*
Effects of:		
Expenses not deductible for tax purposes	**104,606**	*112,717*
Adjustments to tax charge in respect of prior periods	**(324)**	-
Roundings	**2**	*(2)*
Changes in tax rates	**(16,126)**	*(7,610)*
Movement in deferred tax not recognised	**(366)**	*(5,719)*
Total tax charge for the year	**169,764**	*160,086*

8. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

9. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £204,837 *(2017 - loss £240,396).*

10. Tangible fixed assets

Group

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 October 2017	14,250,000	87,140	1,126,773	15,463,913
Additions	-	-	124,687	124,687
At 30 September 2018	14,250,000	87,140	1,251,460	15,588,600
Depreciation				
At 1 October 2017	-	80,511	946,181	1,026,692
Charge for the year on owned assets	-	6,629	124,136	130,765
At 30 September 2018	-	87,140	1,070,317	1,157,457
Net book value				
At 30 September 2018	14,250,000	-	181,143	14,431,143
At 30 September 2017	*14,250,000*	*6,629*	*180,592*	*14,437,221*

The freehold land and buildings were valued by the directors on an open market value basis at 30 September 2018.

If the properties had not been revalued they would have been included at £12,443,158 according to historical cost convention. The valuation was based on a discounted value per bed with reference to current market conditions.

10. Tangible fixed assets (continued)

Company

	Fixtures and fittings £
Cost or valuation	
At 1 October 2017	21,184
At 30 September 2018	21,184
Depreciation	
At 1 October 2017	21,184
At 30 September 2018	21,184
Net book value	
At 30 September 2018	-
At 30 September 2017	-

11. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2017	9
At 30 September 2018	9

11. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Zest Investment (Watton) Limited	Dormant	Ordinary	100%
Zest Investment (Bohill) Limited	Dormant	Ordinary	100%
Zest Investment (Newtownards) Limited	Dormant	Ordinary	100%
Zest Investment (Swaffham) Limited	Dormant	Ordinary	100%
Zest Investment (Omagh) Limited	Letting of freehold property	Ordinary	100%
Zest Investment (Portadown) Limited	Letting of freehold property	Ordinary	100%
Zest Investment (Bridgewater) Limited	Dormant	Ordinary	100%
Zest Investment Property Group Limited	Intermediate Holding company	Ordinary	100%
Bramley (2007) Limited *	Intermediate Holding company	Ordinary	100%
Bramley Court (Care Homes) Limited*	Letting of freehold property	Ordinary	100%
Zest Care Homes Limited	Operation of care homes	Ordinary	100%

* Bramley (2007) Limited is a subsidiary of Zest Investment Group Limited. Bramley Court (Care Homes) Limited is a subsidiary of Bramley (2007) Limited. The registered office address of the above listed subsidiaries is the same as that presented on the company information page.

Other than Zest Care Homes Limited, these entities have taken advantage of the exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

All dormant companies listed above are incorporated in the United Kingdom and have taken advantage of the UK Companies Act 2006, S480 exemption from audit.

11. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 30 September 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Zest Investment (Watton) Limited	1	-
Zest Investment (Bohill) Limited	1	-
Zest Investment (Newtownards) Limited	(98,173)	-
Zest Investment (Swaffham) Limited	1	-
Zest Investment (Omagh) Limited	249,134	(108,837)
Zest Investment (Portadown) Limited	551,267	(28,582)
Zest Investment (Bridgewater) Limited	(56,076)	-
Zest Investment Property Group Limited	902,104	-
Bramley (2007) Limited *	(1,755,751)	-
Bramley Court (Care Homes) Limited*	3,232,425	-
Zest Care Homes Limited	871,850	603,923

12. Debtors

	Group 2018 £	*Group 2017 £*	Company 2018 £	*Company 2017 £*
Trade debtors	166,958	*141,334*	-	-
Amounts owed by group undertakings	-	-	11,530,210	*11,430,409*
Other debtors	69,793	*113,169*	67,467	*110,894*
Prepayments and accrued income	68,109	*59,462*	-	-
	304,860	*313,965*	11,597,677	*11,541,303*

13. Cash and cash equivalents

	Group 2018 £	*Group 2017 £*	Company 2018 £	*Company 2017 £*
Cash at bank and in hand	320,337	*1,049,918*	309,040	*1,040,667*
	320,337	*1,049,918*	309,040	*1,040,667*

14. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other loans	-	125,000	-	125,000
Trade creditors	253,767	188,797	23,233	26,228
Amounts owed to group undertakings	-	-	1,212,832	506,486
Corporation tax	30,509	113,635	15,999	13,833
Other taxation and social security	111,737	68,568	-	-
Other creditors	214,768	60,587	-	-
Accruals and deferred income	290,085	445,032	24,000	30,000
	900,866	1,001,619	1,276,064	701,547

15. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other loans	4,365,000	4,365,000	4,365,000	4,365,000
Unamortised loan fees	-	(6,667)	-	(6,667)
Amounts due to shareholders	2,620,292	3,671,892	2,620,292	3,671,892
	6,985,292	8,030,225	6,985,292	8,030,225

The bank loans are secured on the properties held by the group. Interest is payable quarterly at a fixed cost of 2.25% and the loan is due to expire in April 2020.

16. Loans

	Group 2018 £	*Group 2017 £*	Company 2018 £	*Company 2017 £*
Amounts falling due within one year				
Other loans	-	*125,000*	-	*125,000*
	-	*125,000*	-	*125,000*
Amounts falling due 1-2 years				
Other loans	4,365,000	*4,365,000*	4,365,000	*4,365,000*
Unamortised bank loan arrangement fees	-	*(6,667)*	-	*(6,667)*
	4,365,000	*4,358,333*	4,365,000	*4,358,333*
	4,365,000	*4,483,333*	4,365,000	*4,483,333*

17. Deferred taxation

Group

	2018 £
At beginning of year	622,089
Charged to profit or loss	139,255
Charged to other comprehensive income	7,012
At end of year	754,332

	Group 2018 £	*Group 2017 £*
Accelerated capital allowances	754,332	*624,289*
Short term timing differences	-	*(2,200)*
	754,332	*622,089*

18. Share capital

	2018	*2017*
	£	*£*
Allotted, called up and fully paid		
300 *(2017 - 300)* Ordinary shares shares of £1.00 each	**300**	*300*

19. Reserves

Fair value reserves

This reserve represents the accumulated unrealised profits on the revaluation of the company's properties. This reserve is held net of deferred tax at the prevailing statement of financial position taxation rates.

20. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £43,642 (2017 - £24,085). Contributions totalling £17,242 (2017 - £5,103) were payable to the fund at the reporting date and are included in creditors.

21. Related party transactions

The company has taken the exemption provided under FRS 102 to not disclose intercompany transactions with other group undertakings within the Zest Investment Group. Other than as disclosed below, there have been no transactions with the directors of the company or the group during the year.

Included within amounts owed to shareholders is an amount due to directors and connected parties of £2,620,142 (2017 - £3,172,042). The balance is interest free and has no fixed repayment date.

The directors consider Care Protect Limited to be a related party by virtue of common directors. The amount owed by Care Protect Limited at the year end was £44,482 (2017 - £87,855). This amount relates to short term working capital movements. Care Protect Limited provides visual surveillance and monitoring services to the group.

The directors consider Sistine Properties (Thetford) Limited to be a related party by virtue of a common director, P Scott. The company has entered into a loan facility agreement with Sistine Properties (Thetford) Limited. The amount outstanding at the balance sheet date was £4,365,000 (2017 - £4,490,000) (See note 15). The loan is due for repayment in April 2020.

22. Controlling party

The company is jointly controlled by Mr G Sizer and the Trustees of the Lausar Settlement, each of whom hold 50% of the issued share capital of the company.