Company Registration No. 06684578

Zest Investment Group Limited

Annual Report and Consolidated Financial Statements

30 September 2016

Zest Investment Group Limited

Annual report and financial statements for the year ended 30 September 2016

Contents

Zest Investment Group Limited

Report and financial statements for the year ended 30 September 2016

Officers and professional advisers

Directors

P H Scott
G K Sizer

Registered Office

2nd Floor
16 High Street
Yarm
Cleveland
TS15 9AE

Banker

Santander UK plc
Bootle
L30 4GB

Solicitor

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Auditor

Deloitte LLP
Statutory Auditor
Newcastle upon Tyne
United Kingdom

Zest Investment Group Limited

Strategic report

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the group during the year was the operation of care homes for the elderly. The principal activitiy of the parent was to act as a holding company for the group and incur group legal and professional fees.

The business has made steady progress during the current year. The group consists of four homes with 262 available beds. Occupancy has been stable and available beds were 91.7% occupied at the year-end (2015: 87%)

The directors recommend that no dividend be declared in respect of 2016 (2015: £nil).

<u>Key performance indicators</u>

The key performance indicators (KPIs) that are used by the Company 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.

- **Average weekly fee**

  The average weekly fee achieved per occupied bed.

- **Home EBITDAR before central costs.**

  Home EBITDAR (Earnings before interest, tax, depreciation, amoritisation and rent) before central costs. EBITDAR during the year was £1,230,119 (2015: £1,126,065).

- **EBITDAR margin**

  Home EBITDAR before central costs expressed as a percentage of revenue.

In terms of outlook, the Directors remain committed to the totem of 'quality and profit being synonymous'. 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.

We maintain a very specific focus on daily and weekly in house quality audit, staff training and supervision, staff roster management and appraisal.

Strategic report (continued)

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.

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 this building demographic. Health and Social care budgets for public sector supported clients won't 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.

EMPLOYMENT POLICIES

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.

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, possible 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 Company 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 the performance of each home against its operating budget and to review and update the home's action plan, which is a permanently evolving control document.

Approved by the Board of Directors
and signed on behalf of the Board

G K Sizer
Director

22 June 2017

Zest Investment Group Limited

Directors' report
for the year ended 30 September 2016

The directors present their annual report, together with the audited financial statements and for the year ended 30 September 2016.

In preparing this Directors' Report, the Directors have complied with S414C(11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report.

Activities

The principal activity of the group is the operation of nursing and residential care homes for the elderly. The principal activitiy of the parent was to act as a holding company for the group and incur group legal and professional fees.

Directors

The directors who served throughout the year and since were as follows:

P H Scott
G K Sizer

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note, on page 14, of the financial statements.

Information included within the strategic report

Future developments, employment policies and principal risks and uncertainties are requirements of the directors' report and have been presented above in the strategic report.

Auditor

Each of the persons who are directors of the company at the date of this report confirms that:

- So far as the director is aware there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of this information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G K Sizer
Director

22 June 2017

Zest Investment Group Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "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 group and company 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Zest Investment Group Limited

We have audited the financial statements of Zest Investment Group Limited for the year ended 30 September 2016 which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 18. 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), including FRS 102 "Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 group's and the parent 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditors
Newcastle Upon Tyne, United Kingdom

22 June 2017

Zest Investment Group Limited

Consolidated profit and loss account for the year ended 30 September 2016

	Notes	2016 £	2015 £
Turnover	1, 2	7,777,848	7,404,880
Cost of sales		(6,547,729)	(6,267,436)
Gross profit		1,230,119	1,137,444
Administrative expenses		(470,377)	(596,173)
Operating profit		759,742	541,271
Profit/(loss) on disposal of property		12,088	(144,771)
Interest payable	5	(123,085)	(217,199)
Profit on ordinary activities before taxation	4	648,745	179,301
Tax on profit on ordinary activities	6	(44,220)	176,331
Profit for the financial year		604,525	355,632

All activities derive from continuing operations in the United Kingdom.

The notes on pages 14 – 25 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 30 September 2016

		2016 £	2015 £
Profit for the financial year		604,525	355,632
Tax relating to components of other comprehensive income	4	36,402	16,465
Total comprehensive income attributable to equity shareholders of the Company		640,927	372,097

Zest Investment Group Limited

Consolidated balance sheet
as at 30 September 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	8	15,006,183	15,091,390
Current assets			
Debtors	10	275,895	455,069
Cash		896,366	672,496
		1,172,261	1,127,565
Creditors: amounts falling due within one year	11	(1,087,562)	(906,813)
Net current assets		84,699	220,752
Total assets less current liabilities		15,090,882	15,312,142
Creditors: amount falling due after one year	12	(8,519,287)	(9,337,566)
Provision for liabilities and charges	13	(625,970)	(669,878)
Net assets		5,945,625	5,304,698
Capital and reserves			
Called up share capital	14	300	300
Fair value reserve		485,826	449,424
Profit and loss account		5,459,499	4,854,974
Shareholders' funds		5,945,625	5,304,698

The notes on pages 14 – 25 form an integral part of these financial statements.

The financial statements of Zest Investment Group Limited, registered number 06684578 were approved by the Board of Directors on 22 June 2017.

Signed on behalf of the Board of Directors

G K Sizer
Director

Company balance sheet
as at 30 September 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	8	2,663	13,255
Investments	9	9	9
		2,672	13,264
Current assets			
Debtors	10	12,035,599	7,815,537
Cash		882,617	667,973
		12,918,617	8,483,510
Creditors: amounts falling due within one year	11	(5,844,598)	(345,143)
Net current assets		7,073,618	8,138,367
Total assets less current liabilities		7,076,290	8,151,631
Creditors: amounts falling due after one year	12	(8,519,287)	(9,337,566)
Provision for liabilities and changes	13	-	-
Net liabilities		(1,442,997)	(1,185,935)
Capital and reserves			
Called up share capital	14	300	300
Profit and loss account		(1,443,297)	(1,186,235)
Shareholders' deficit		(1,442,997)	(1,185,935)

The notes on pages 14 – 25 form an integral part of these financial statements.

The financial statements of Zest Investment Group Limited, registered number 06684578 were approved by the Board of Directors on 22 June 2017.

Signed on behalf of the Board of Directors

G K Sizer
Director

Zest Investment Group Limited

Consolidated statement of changes in equity as at 30 September 2016

	Called-up share capital	Fair Value Reserve	Profit and loss account	Total
	£	£	£	£
At 30 September 2014	300	933,000	4,451,217	5,384,517
Changes on transition to FRS 102 (see note 18)	-	(451,916)	-	(451,916)
At 30 September 2014	300	481,084	4,451,217	4,932,601
Profit and total comprehensive income for the financial year	-	-	355,632	355,632
Realisation of investment realisation reserve	-	(48,125)	48,125	-
Release of deferred tax from revaluation	-	16,465	-	16,465
At 30 September 2015	300	449,424	4,854,974	5,304,698
Profit and total comprehensive income for the financial year	-	-	604,525	604,525
Release of deferred tax from revaluation	-	36,402	-	36,402
At 30 September 2016	300	485,826	5,459,499	5,945,625

Company statement of changes in equity as at 30 September 2016

	Called-up share capital £	Profit and loss account £	Total £
At 30 September 2014	300	(843,202)	(842,902)
Profit and total comprehensive income for the financial year	-	(343,033)	(343,033)
At 30 September 2015	300	(1,186,235)	(1,185,935)
Profit and total comprehensive income for the financial year	-	(257,062)	(257,062)
At 30 September 2016	300	(1,443,297)	(1,442,997)

Zest Investment Group Limited

Consolidated cash flow statement for the year ended 30 September 2016

	Note	2016 £	2015 £
Net cash inflow from operating activities	15	1,129,295	305,661
Cash flows from investing activities			
Purchase of tangible fixed assets		(129,811)	(91,097)
Sale of tangible fixed assets		-	4,867,863
Sale of asset held for resale		185,751	-
Net cash flows from investing activities		55,940	4,776,766
Cash flows from financing activities			
Interest paid		(123,085)	(217,199)
Repayment of secured bank loan		-	(7,810,136)
New secured loan		-	4,000,000
Repayment of new secured loan and arrangement fee		(250,000)	(165,000)
Short term working capital movements in shareholder loans		(588,280)	(823,799)
Net cash flows from financing activities		(961,365)	(5,016,134)
Net Increase in cash and cash equivalents		223,870	66,293
Cash and cash equivalents at beginning of year		672,496	606,203
Cash and cash equivalents at end of year		896,366	672,496

The notes on pages 14 – 25 form an integral part of these financial statements.

Notes to the financial statements for the year ended 30 September 2016

1. Accounting policies

The particular accounting policies adopted by the director are described below, and have been applied consistently for the current and prior year.

Accounting convention

Zest Investment Group Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Director's Report on page 4.

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. See note 18 for more information.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company's Shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. Exemptions have been taken in these separate Company financial statements in relation to a cash flow statement.

Going concern

The group funds ongoing working capital requirements and interest payments through its cash balance and cash generated from trading.

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

On this basis the directors have a reasonable expectation that the group and 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.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Depreciation is provided to write off the cost less estimated residual value over their estimated useful lives on a straight line basis as follows:

Office equipment	4 – 5 years
Motor Vehicles	4 years
Freehold buildings	50 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Investment properties are initially capitalised at cost. Cost includes all costs of development including capitalisation of interest where appropriate. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress.

1. Accounting policies (continued)

Tangible fixed assets and depreciation (continued)

In accordance with FRS 102 Section 16 'Accounting for Investment Properties', investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any changes recognised in the profit and loss account.

Leases

Operating lease rentals are charged on a straight line basis over the term of the lease.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax liabilities are not discounted.

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 or 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.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and key sources of estimation uncertainty (Continued)

Critical judgements in applying the Company's accounting policies

Impairment and valuation

The Company tests annually whether its assets have suffered any impairment. Where required, recoverable amounts are calculated using the higher of fair value less cost to sell, and value in use. Additionally, properties are held at fair value per note 8 and are revalued on a sufficiently regular basis to avoid material differences between carrying value and fair value.

The director does not consider there to be any key sources of estimation uncertainty.

2. Segmental analysis

	Care home operations £	Letting of investment property £	Total £
Year ended 30 September 2016			
Turnover	7,777,848	-	7,777,848
Payroll costs	(5,226,069)	-	(5,226,069)
Running costs	(1,321,660)	-	(1,321,660)
EBITDAR before central costs	1,230,119	-	1,230,119
Central costs	(255,358)	-	(255,358)
EBITDA	974,761	-	974,761
Depreciation	(215,018)	-	(215,018)
Profit on disposal of property	12,088	-	12,088
Interest payable	(123,085)	-	(123,085)
Profit/(loss) before taxation	648,745	-	648,745
Year ended 30 September 2015			
Turnover	7,376,340	28,540	7,404,880
Payroll costs	(4,980,206)	-	(4,980,206)
Running costs	(1,270,069)	(17,161)	(1,287,230)
EBITDAR before central costs	1,126,065	11,379	1,137,444
Central costs	(134,144)	(218,864)	(353,008)
EBITDA	991,921	(207,485)	784,436
Depreciation	(243,165)	-	(243,165)
Loss on disposal of property	(144,771)	-	(144,771)
Revaluation of tangible fixed assets	-	-	-
Interest receivable	(149,067)	(68,132)	(217,199)
Interest payable			
Profit/(loss) before taxation	454,918	(275,617)	179,301

Letting of investment property ceased last year. Recurring central overheads previously allocated to that business segment are shown within care home operations for the purpose of this analysis. It is not anticipated that any segmental analysis will be required in future annual reports.

Notes to the financial statements (continued) for the year ended 30 September 2016

3. Employees

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Care staff	366	326
Management and administration	13	13
	379	339

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	4,441,334	4,361,045
Social security costs	275,705	308,150
Pension costs	22,467	21,500
	4,739,506	4,691,043

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

4. Profit on ordinary activities before taxation

	2016 £	2015 £
Profit on ordinary activities before taxation is shown after charging:		
Depreciation of tangible assets:		
Owned assets	215,018	243,165
Auditor's remuneration:		
- fees payable to company's auditor for the audit of the company's annual financial statements	7,075	3,000
- fees payable to company's auditor for the audit of the subsidiary annual financial statements	9,675	19,500

5. Finance charges (net)

	2016 £'000	2015 £'000
Interest payable and similar charges	123,085	217,199

6. Tax on profit on ordinary activities

The tax charge comprises:

	2016	2015
	£	£
Current tax:		
UK corporation tax on profits for the period	51,726	-
Total current tax	51,726	-
Deferred tax		
Origination and reversal of timing differences	56,304	(180,119)
Adjustment in respect of previous periods	(24,572)	(594)
Effect of changes in tax rates	(39,238)	4,382
Total deferred tax	(7,506)	(176,331)
Total tax on profit on ordinary activities	44,220	(176,331)
Other comprehensive income items		
Deferred tax current year charge/(credit)	(36,402)	(16,465)

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015 20.5%). The applicable tax rate has changed following substantive enactment of the Finance Act 2013. The Finance Act 2013 reduced the main rate of corporation tax to 20% effective from 1 April 2015. Finance No 2 Act 2015 which was substantively enacted on 26 October 2015 includes provisions to further reduce the corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. Accordingly deferred tax assets and liabilities at 30 September 2015 were calculated at the rates expected to be in force when the timing differences were projected to reverse. Finance Act 2016 which was substantively enacted on 6 September 2016 contains provisions to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly deferred tax assets and liabilities have been calculated at the rates which will be in force when the timing differences are projected to reverse.

During the year commencing 1 October 2016, the net reversal of deferred tax assets/liabilities is expected to increase the corporation tax charge for the year by £16k. This is primarily due to the reversal of timing differences in relation to fixed assets.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2016

6. Tax on profit on ordinary activities (Continued)

	2016 £	2015 £
Profit on ordinary activities before tax	648,745	179,301
Tax on profit on ordinary activities at standard UK corporation tax rate of 20 per cent (2015: 20.5 per cent)	129,749	36,756
Effects of:		
- Expenses not deductible	2,103	-
- Income not taxable for tax purposes	-	(101,620)
- Tax losses utilised	(23,821)	
- Adjustment from previous periods	(24,572)	(594)
- Tax rate changes	(39,238)	4,382
- Movement in deferred tax not recognised	-	111,467
- Roundings	(1)	-
Total tax charge/(credit) for period	44,220	(176,311)

7. Loss of the parent company

As permitted by Section 408 of the Companies Act, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company. The parent company is a holding company and the loss for the financial year amounted to £257,062 (2015: loss £343,033).

8. Tangible fixed assets

Group	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 October 2015	14,800,000	866,067	87,140	15,753,207
Additions	-	129,811	-	129,811
At 30 September 2016	14,800,000	995,878	87,140	15,883,018
Depreciation				
At 1 October 2015	-	623,944	37,873	661,817
Charge for the year	-	193,478	21,540	215,018
At 30 September 2015	-	817,422	59,413	876,835
Net book value				
At 30 September 2016	14,800,000	178,456	27,727	15,006,183
At 30 September 2015	14,800,000	242,123	49,267	15,091,390

Company	Fixtures and fittings £
Cost	
At 1 October 2015 and 30 September 2016	21,184
Depreciation	
At 1 October 2015	7,929
Charge for the year	10,592
At 30 September 2015	18,521
Net book value	
At 30 September 2016	2,663
At 30 September 2015	13,255

The freehold land and buildings were valued by the directors on an open market value at 30 September 2016.

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 and with reference to current market conditions.

9. Fixed asset investments

	Company 2016 £	Company 2015 £
Subsidiary undertakings	9	9

	£
Cost and net book value	
At 1 October 2015 and 30 September 2016	9

The company owns the entire issued share capital of the following entities:

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

* Bramley (2007) Limited is a subsidiary of Zest Investment Property Group Limited. Bramley Court (Care Homes) Limited is a subsidiary of Bramley (2007) Limited. The registered address of the above listed subsidiaries is the same as that presented for the group on page 1.

Zest Investment Group Limited

Notes to the financial statements (continued)
for the year ended 30 September 2016

10. Debtors due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	140,346	158,634	-	-
Amounts owed by group undertakings	-	-	12,015,030	7,804,240
Amounts owed by related parties	-	4,273	-	4,273
Other debtors	21,730	180,661	20,569	7,024
Prepayments	113,819	111,501	-	-
	275,895	455,069	12,035,599	7,815,537

2015 - Other debtors includes £173,633 relating to assets held for sale.

11. Creditors: amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdraft (secured)	-	-	-	-
Amounts owed in respect of secured loan (see below)	250,000	250,000	250,000	250,000
Trade creditors	204,814	247,387	12,394	46,543
Other creditors	65,145	71,938	-	-
Other taxes and social security costs	115,451	51,191	-	-
Accruals and deferred income	452,152	286,297	48,600	48,600
Amounts owed to group undertakings	-	-	5,533,604	-
	1,087,562	906,813	5,844,598	345,143

All borrowings from Ulster Bank were repaid during the prior year. A new secured loan facility of £4m was entered into during the prior year, expiring in April 2018, and the loan being secured on properties held by the group. Capital repayments are £62,500 per quarter. Interest is payable quarterly at a margin of 2.75% plus 3m LIBOR.

12. Creditors: amounts falling due after one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts owed in respect of secured loan	3,375,000	3,625,000	3,375,000	3,625,000
Unamortised bank loan arrangement fees	(20,000)	(40,000)	(20,000)	(40,000)
Amounts due to shareholders (note 16)	5,164,287	5,752,566	5,164,287	5,752,566
	8,519,287	9,337,566	8,519,287	9,337,566

13. Provisions for liabilities and charges

Group	Deferred tax £
At 1 October 2015	669,878
Profit and loss account charge (note 6)	(7,506)
Release to OCI in relation to revaluation	(36,402)
At 30 September 2016	625,970

The amounts of deferred taxation provided in the financial statements are as follows:

	2016 £	2015 £
Fixed asset timing differences	628,394	669,878
Short term timing differences	(2,392)	
Losses	(32)	-
	625,970	669,878

Company	Deferred tax £
At 1 October 2015 and At 30 September 2016	-

14. Called-up share capital

	2016 £	2015 £
Allotted, called-up and fully paid		
300 ordinary shares of £1 each	300	300

15. Reconciliation of operating profit to cash generated by operations

	2016 £	2015 £
Operating profit	759,743	541,271
Adjustment for:		
Depreciation and amortisation	235,018	243,165
Operating cash flow before movement in working capital	994,761	784,436
Decrease/(increase) in debtors	5,511	(189,434)
Increase/(decrease) in creditors	129,023	(289,341)
Cash generated by operations	1,129,295	305,661

16. 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 (refer to note 2), or the group during the year.

Included within amounts owed to shareholders is an amount due to directors of £4,664,287 (2015: £5,252,566). This balance is currently interest free and has no fixed repayment date.

The directors consider Care Protect Limited to be a related party for the purposes of FRS 102 Section 33 by virtue of a common director, P Scott. The amount owed by Care Protect Limited at the year end was £3,952 (2015: £4,273). This amount relates to a £3,952 monthly charge for monitoring services.

The directors consider Sistine Properties (Thetford) Limited to be a related party for the purposes of FRS 102 Section 33 by virtue of a common director, P Scott. During the prior year the company entered into a loan facility agreement with Sistine Properties (Thetford) Limited in the sum of £4 million. The amount outstanding at the balance sheet date was £3,625,000 (2015: £3,875,000) (notes 10 and 11). The loan is due for repayment in April 2018.

17. Ultimate controlling party

The company is jointly controlled by the current directors who each control 50 per cent of the issued share capital of the company.

18. Transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 September 2015 and the date of transition to FRS 102 was therefore 1 October 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. The revaluation reserve has been renamed as 'Fair value reserve' for the purpose of tracking non-distributable reserves as a result of property valuations.

Reconciliation of equity

		At 1 October 2014 £	At 30 September 2015 £
	Equity reported under previous UK GAAP	5,384,517	5,740,149
	Adjustments to equity on transition to FRS 102		
1	Deferred tax on previous revaluations	(451,916)	(451,916)
2	Release of deferred tax on previous revaluations	-	16,465
	Equity reported under FRS 102	4,932,601	5,304,698

Notes to the reconciliation of equity at 30 September 2015

The revaluation reserve has been renamed as 'Fair value reserve' for the purpose of tracking non-distributable reserves as a result of property valuations. Deferred tax was recognised on previous revaluations and released during the year.

Reconciliation of profit or loss for 2015

		£
	Profit for the financial year under previous UK GAAP	355,632
1	Deferred tax on revaluation of investment property	-
	Profit for the financial year under FRS 102	355,632