

**Company Registration No. 06684578**

**Zest Investment Group Limited**

**Annual Report and Consolidated  
Financial Statements**

**30 September 2014**

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# **Zest Investment Group Limited**

## **Report and financial statements for the year ended 30 September 2014**

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# **Zest Investment Group Limited**

## **Report and financial statements for the year ended 30 September 2014**

### **Officers and professional advisers**

#### **Directors**

E J Coyle (resigned 26 January 2015)  
G K Sizer  
P H Scott

#### **Registered Office**

2<sup>nd</sup> Floor, Tirrem House  
16 High Street  
Yarm  
Cleveland  
TS15 9AE

#### **Banker**

Ulster Bank Limited  
11-16 Donegall Square East  
Belfast  
BT7 5UB

#### **Solicitor**

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

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Newcastle upon Tyne  
NE1 2HF  
United Kingdom

# Zest Investment Group Limited

## Strategic report (continued)

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the group during the year was the operation of care homes for the elderly and the letting of investment property.

The care home business has made steady progress during the current year. Occupancy has steadily improved and available beds were 86.5 % occupied at the year-end (2013: 85%)

The investment property business has achieved £1,156,787 of rental income (2013: £1,442,418). Three care homes let to a third party operator were sold during the year, together with two residential properties and a parcel of land held for future development. The net proceeds were used to pay down bank debt.

#### Key performance indicators

##### Care Homes

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, amortisation and rent) before central costs. EBITDAR during the year was £1,159,252 (2013: £939,025).
- **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.

In tandem service enhancements continue such as the addition of minibuses 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.

# Zest Investment Group Limited

## Strategic report (continued)

Our objective remains to have all five 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

#### Care Homes

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.

#### Investment Property

The group retains one residential investment property at the balance sheet date, which has subsequently been sold.

### 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; and
- failure to renew banking facilities.

## **Zest Investment Group Limited**

### **Strategic report (continued)**

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

30 June 2015

## **Zest Investment Group Limited**

### **Directors' report for the year ended 30 September 2015**

The directors present their annual report, together with the audited financial statements and for the year ended 30 September 2014.

#### **Activities**

The principal activities of the group are the operation of nursing and residential care homes for the elderly and the letting of investment property.

#### **Directors**

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

G K Sizer  
E J Coyle (Resigned 26 January 2015)  
P H Scott

#### **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 13, of the financial statements.

#### **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

30 June 2015

## **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). 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 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement and the related notes 1 to 22. 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 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 (APB'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 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 form 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 and parent company's affairs as at 30 September 2014 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 matter prescribed by the Companies Act 2006**

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

## **Independent auditor's report to the members of Zest Investment Group Limited (continued)**

### **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.

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

30 June 2015

## Zest Investment Group Limited

### Consolidated profit and loss account for the year ended 30 September 2014

	Notes	2014 £	2013 £
Turnover	1, 2	9,501,314	8,876,291
Cost of sales		<u>(7,185,275)</u>	<u>(6,494,848)</u>
Gross profit		2,316,039	2,381,443
Administrative expenses (including impairment of fixed assets of £925,434 (2013: £752,714)).		<u>(1,871,874)</u>	<u>(1,499,468)</u>
Operating profit		444,165	881,975
Profit/(loss) on disposal of property		2,305,592	(51,091)
Interest receivable		2,713	3,061
Interest payable		<u>(877,139)</u>	<u>(1,014,174)</u>
Profit/(loss) on ordinary activities before taxation	4	1,875,331	(180,229)
Tax on ordinary activities	5	<u>681,809</u>	<u>(290,654)</u>
Profit/(loss) for the financial year	14	<u>2,557,140</u>	<u>(470,883)</u>

All activities derive from continuing operations in the United Kingdom.  
The notes on pages 13 – 25 form an integral part of these financial statements.

### Consolidated statement of total recognised gains and losses for the year ended 30 September 2014

	2014 £	2013 £
Profit/(loss) for the financial year	2,557,140	(470,883)
Unrealised deficit on revaluation of investment properties	<u>(3,966,247)</u>	<u>(471,631)</u>
Total recognised gains and losses relative to year	<u>(1,409,107)</u>	<u>(942,514)</u>

## Zest Investment Group Limited

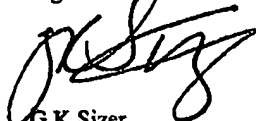
### Consolidated balance sheet as at 30 September 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	7	20,256,092	43,178,912
<b>Current assets</b>			
Cash		606,564	211,892
Debtors	9	265,734	448,074
		872,298	659,966
<b>Creditors: amounts falling due within one year</b>	10	(8,756,651)	(24,978,443)
<b>Net current liabilities</b>		(7,884,353)	(24,318,477)
<b>Total assets less current liabilities</b>		12,371,739	18,860,435
<b>Creditors: amount falling due after one year</b>	11	(6,576,365)	(10,974,245)
<b>Provision for liabilities and charges</b>	12	(410,757)	(1,092,466)
<b>Net assets</b>		5,384,617	6,793,724
<b>Capital and reserves</b>			
Called up share capital	13	300	300
Revaluation reserve	14	1,063,000	5,029,247
Profit and loss account	14	4,321,317	1,764,177
<b>Shareholders' funds</b>	15	5,384,617	6,793,724

The notes on pages 13 – 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 30 June 2015.

Signed on behalf of the Board of Directors



G K Sizer  
Director

## Zest Investment Group Limited

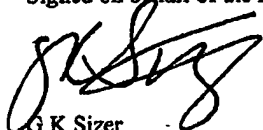
### Company balance sheet as at 30 September 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	7	13,255	13,255
Investments	8	9	9
		<u>13,264</u>	<u>13,264</u>
<b>Current assets</b>			
Cash		603,322	208,650
Debtors	9	5,179,855	5,678,387
		<u>5,783,177</u>	<u>5,887,037</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(62,939)</u>	<u>(785,469)</u>
<b>Net current assets</b>		<u>5,720,238</u>	<u>5,101,568</u>
<b>Total assets less current liabilities</b>		<u>5,733,502</u>	<u>5,114,832</u>
<b>Creditors: amounts falling due after one year</b>	11	<u>(6,576,365)</u>	<u>(5,648,164)</u>
<b>Provision for liabilities and changes</b>	12	<u>(39)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(842,902)</u>	<u>(533,332)</u>
<b>Capital and reserves</b>			
Called up share capital	13	300	300
Profit and loss account	14	(843,202)	(533,632)
<b>Shareholders' deficit</b>	15	<u>(842,902)</u>	<u>(533,332)</u>

The notes on pages 13 – 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 30 June 2015.

Signed on behalf of the Board of Directors



G K Sizer  
Director

## Zest Investment Group Limited

### Consolidated cash flow statement for the year ended 30 September 2014

	Note	2014 £	2013 £
Net cash inflow from operating activities	16	935,601	1,077,422
Returns on investments and servicing of finance	17	(874,426)	(1,011,113)
Taxation	17	-	-
Capital expenditure and financial investment	17	<u>20,027,503</u>	<u>174,335</u>
Increase in cash before financing		20,088,678	240,644
Financing	17	<u>(19,690,013)</u>	<u>(820,891)</u>
Increase/(decrease) in cash		<u>398,665</u>	<u>(580,247)</u>

The notes on pages 13 – 25 form an integral part of these financial statements.

# Zest Investment Group Limited

## Notes to the financial statements for the year ended 30 September 2014

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below, and have been applied consistently for the current year and preceding year.

#### Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

#### Going concern

As disclosed in note 19 at the balance sheet date the company was party to an omnibus guarantee in relation to the group's external bank borrowings and therefore it is necessary to also consider the financial position of the group. The group borrowings were repayable on demand

In January 2015 the group disposed of Icen House Care home and the net sales consideration of £4.1m was used to repay group borrowings. In March 2015 the residual borrowings were successfully refinanced under a new £4 million term loan facility expiring in April 2018.

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 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.

## **Zest Investment Group Limited**

### **Notes to the financial statements (continued) for the year ended 30 September 2014**

#### **1. Accounting policies (continued)**

##### **Tangible fixed assets and depreciation (continued)**

In accordance with SSAP19 'Accounting for Investment Properties', investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties. The directors consider this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP19 'Accounting for Investment Properties'. The financial effect of the departure from the statutory accounting rules cannot be reasonably quantified as there are a number of factors reflected in the annual valuation and the amount, which otherwise might have been shown, and cannot be separately identified.

##### **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.



## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 2. Segmental analysis

	Care home operations £	Letting of investment property £	Total £
<b>Year ended 30 September 2014</b>			
Turnover	8,344,527	1,156,787	9,501,314
Payroll costs	(5,824,555)	-	(5,824,555)
Running costs	(1,360,721)	-	(1,360,721)
EBITDAR before central costs	1,159,251	1,156,787	2,316,038
Central costs	(289,794)	(347,318)	(637,112)
EBITDA	869,457	809,468	1,678,926
Depreciation	(309,328)	-	(309,328)
Profit on disposal of property	-	2,435,592	2,435,592
Revaluation of tangible fixed assets	-	(925,434)	(925,434)
Interest receivable	-	2,713	2,713
Interest payable	(556,252)	(320,887)	(877,139)
(Loss)/ profit before taxation	3,877	2,001,454	2,005,331
<b>Year ended 30 September 2013</b>			
Turnover	7,433,873	1,442,418	8,876,291
Payroll costs	(5,160,555)	-	(5,160,555)
Running costs	(1,334,293)	-	(1,334,293)
EBITDAR before central costs	939,025	1,442,418	2,381,443
Central costs	(310,297)	(300,984)	(611,281)
EBITDA	628,728	1,141,434	1,770,162
Depreciation	(135,473)	-	(135,473)
Loss on disposal of property	-	(51,091)	(51,091)
Revaluation of tangible fixed assets	(68,369)	(684,345)	(752,714)
Interest receivable	-	3,061	3,061
Interest payable	(608,952)	(405,222)	(1,014,174)
(Loss)/ profit before taxation	(184,066)	3,837	(180,229)

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 3. Employees

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

	2014 Number	2013 Number
Care staff	427	387
Management and administration	20	13
	<u>447</u>	<u>400</u>

Their aggregate remuneration comprised:

	2014 £	2013 £
Wages and salaries	5,101,139	4,508,656
Social security costs	303,842	285,796
	<u>5,431,981</u>	<u>4,794,452</u>

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

#### 4. (Loss)/profit on ordinary activities before taxation

	2014 £	2013 £
(Loss)/profit on ordinary activities before taxation is shown after charging:		
Impairment of fixed assets	925,434	752,714
<b>Depreciation of tangible assets:</b>		
Owned assets	309,328	135,473
<b>Auditor's remuneration:</b>		
- fees payable to company's auditor for the audit of the company's annual financial statements	3,000	3,000
- fees payable to company's auditor for the audit of the subsidiary annual financial statements	27,000	27,000
	<u>27,000</u>	<u>27,000</u>

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 5. Tax on (loss)/profit on ordinary activities

##### i) Analysis of tax charge on ordinary activities

	2014 £	2013 £
United Kingdom corporation tax on the loss for the period	-	-
Deferred tax:		
Adjustment in respect of prior periods	(342,196)	232,462
Timing differences, origination and reversal	(361,604)	226,876
Effect of changes in tax rates	11,991	(168,684)
	<u>(681,809)</u>	<u>290,654</u>
Total current tax charge	<u>(681,809)</u>	<u>290,654</u>

##### ii) Factors affecting tax charge for the current period.

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 21.49% (2013: 23.5%).

The differences are explained below:

	2014 £	2013 £
Profit/(loss) on ordinary activities before tax	<u>2,006,330</u>	<u>(180,229)</u>
Tax at 21.49% (2013: 23.5%) thereon:	(441,117)	(42,351)
Expenses not deductible for tax purposes	207,150	123,910
Income not taxable for tax purposes	(1,311,684)	-
Capital allowances in excess of depreciation	315,714	(248,225)
Tax losses utilised	64,147	166,666
Effect of gains (inc. rollover relief)	<u>283,556</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

#### 6. (Loss)/profit of the parent company

As permitted by Section 408 of the Companies Act, the profit and loss account of the parent company is not presented in these financial statements. The parent company is a holding company and the loss for the financial year amounted to £309,570 (2013: Loss of £264,469).

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 7. Tangible fixed assets

Group	Investment property £	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 October 2013	20,255,000	22,465,000	611,212	2,750	43,333,962
Additions	-	-	267,668	88,840	356,508
Disposals	(19,755,000)	(825,000)	-	-	(20,580,000)
Revaluation	200,000	(2,590,000)	-	-	(2,390,000)
At 30 September 2014	<u>700,000</u>	<u>19,050,000</u>	<u>878,880</u>	<u>91,590</u>	<u>20,720,470</u>
<b>Depreciation</b>					
At 1 October 2013	-	-	154,061	989	155,050
Charge for the year	-	-	293,492	15,836	309,328
At 30 September 2014	-	-	<u>447,553</u>	<u>16,825</u>	<u>464,378</u>
<b>Net book value</b>					
At 30 September 2014	<u>700,000</u>	<u>19,050,000</u>	<u>431,327</u>	<u>74,765</u>	<u>20,256,092</u>
At 30 September 2013	<u>20,255,000</u>	<u>22,465,000</u>	<u>457,151</u>	<u>1,761</u>	<u>43,178,912</u>
<b>Company</b>					<b>Fixtures and fittings £</b>
<b>Cost</b>					
At 1 October 2013					21,184
Additions					-
At 30 September 2014					<u>21,184</u>
<b>Depreciation</b>					
At 1 October 2013					7,929
Charge for the year					-
At 30 September 2014					<u>7,929</u>
<b>Net book value</b>					
At 30 September 2014					<u>13,255</u>
At 30 September 2013					<u>13,255</u>

#### *Investment properties*

The investment properties were valued by the directors on an open market value at 30 September 2014. If the properties had not been revalued they would have been included at £17,430,699 according to the historical cost convention.

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 7. Tangible fixed assets (continued)

##### *Freehold land and buildings*

During the year the directors identified a reduction in value of £2,590,000 and therefore the value has been reduced by £2,590,000.

If the properties had not been revalued they would have been included at £16,895,607 according to historical cost convention.

#### 8. Fixed asset investments

	Company	
	2014	2013
	£	£
Subsidiary undertakings	9	9
		£
<b>Cost and net book value</b>		
At 1 October 2013 and 30 September 2014		9

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

	Country of incorporation	Principal activity	Holding	%
Zest Investment (Watton) Limited	England	Letting of investment property	Ordinary shares	100%
Zest Investment (Bohill) Limited	England	Letting of investment property	Ordinary shares	100%
Zest Investment (Newtownards) Limited	England	Letting of investment property	Ordinary shares	100%
Zest Investment (Swaffham) Limited	Northern Ireland	Letting of freehold property	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	Property holding company	Ordinary shares	100%
Zest Investment Property Group Limited	Northern Ireland	Intermediate Holding company	Ordinary shares	100%
Oxford (2007) Limited*	England	Letting of residential property	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%

\* Oxford (2007) Limited and Bramley (2007) Limited are subsidiaries of Zest Investment Property Group Limited. Bramley Court (Care Homes) Limited is a subsidiary of Bramley (2007) Limited.

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 9. Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	210,275	285,336	-	500
Amounts owed by group undertakings	-	-	5,177,901	5,617,846
Amounts owed by related parties	-	60,041	-	60,041
Prepayments	55,459	102,697	1,954	-
	<u>265,734</u>	<u>448,074</u>	<u>5,179,855</u>	<u>5,678,387</u>

#### 10. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank overdraft (secured)	361	4,354	-	-
Amounts owed in respect of secured bank loan	7,810,136	23,102,269	-	-
Trade creditors	176,774	270,436	1,401	51,470
Other creditors	205,257	184,049	-	14,082
Other taxes and social security costs	240,810	65,085	-	-
Accruals and deferred income	323,313	937,886	61,538	-
Amounts owed to group undertakings	-	-	-	719,917
Amounts owed to related parties	-	414,364	-	-
	<u>8,756,651</u>	<u>24,978,443</u>	<u>62,939</u>	<u>785,469</u>

The bank loans are repayable on demand. The loans were repaid in full after the balance sheet date.

#### 11. Creditors: amounts falling due after one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amounts owed in respect of secured bank loan	-	4,750,000	-	-
Amounts due to shareholders (note 20)	6,576,354	6,224,245	6,576,365	5,648,164
	<u>6,576,365</u>	<u>10,974,245</u>	<u>6,576,365</u>	<u>5,648,164</u>
Bank loan	-	4,750,000	-	-
Due after five years	-	-	-	-

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 12. Provisions for liabilities and charges

<b>Group</b>	<b>Deferred tax £</b>
At 1 October 2013	1,092,466
Profit and loss account charge (note 5)	(339,513)
Adjustment in respect of prior years	(342,196)
	<hr/>
At 30 September 2014	<u>410,758</u>

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

	<b>2014 £</b>	<b>2013 £</b>
Accelerated capital allowances	444,014	1,124,157
Losses	(59,038)	(163,359)
Deferred tax not provided	25,782	131,668
	<hr/>	<hr/>
	<u>410,758</u>	<u>1,092,466</u>

<b>Company</b>	<b>Deferred tax £</b>
At 1 October 2013	-
Profit and loss account charge (note 5)	574
Adjustment in respect of prior years	(535)
	<hr/>
At 30 September 2014	<u>39</u>

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

	<b>2014 £</b>	<b>2013 £</b>
Accelerated capital allowances	39	-
	<hr/>	<hr/>
	<u>39</u>	<u>-</u>

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 13. Called-up share capital

	2014 £	2013 £
<i>Allotted, called-up and fully paid</i> 300 ordinary shares of £1 each	300	300

#### 14. Reserves

	Group Revaluation reserve £	Profit and loss account £	Company Profit and loss account £
At 1 October 2013	5,029,247	1,764,177	(533,632)
Movement in investment revaluation reserve	(1,464,566)	-	-
Realisation of investment revaluation reserve	(2,501,681)	-	-
Profit/(loss) for the financial year	-	2,557,140	(309,570)
At 30 September 2014	<u>1,063,000</u>	<u>4,321,317</u>	<u>(843,202)</u>



## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 15. Reconciliation of movements in shareholders' funds/ (deficit)

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Profit/(loss) for the financial year	2,557,140	(470,883)	(309,570)	(264,469)
Movement in revaluation reserve	(3,966,247)	(471,631)	-	-
	(1,409,107)	(942,514)	(309,570)	(264,469)
Opening shareholders' funds/(deficit)	6,793,724	7,736,238	(533,332)	(268,863)
Closing shareholders' funds/(deficit)	5,384,617	6,793,724	(842,902)	(533,332)

#### 16. Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£	£
Operating profit	444,165	881,975
Depreciation and amortisation	309,328	135,473
Fixed asset impairments	925,434	752,714
Increase in debtors	182,340	(201,512)
Decrease/(increase) in creditors	(925,666)	(491,228)
Net cash inflow from operating activities	935,601	1,077,422

#### 17. Gross cash flow

	2014	2013
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	2,713	3,061
Interest paid	(877,139)	(1,014,174)
Net cash outflow	(874,426)	(1,011,113)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(356,508)	(339,700)
Sale of tangible fixed assets	20,384,011	514,035
Net cash inflow/ (outflow)	20,027,503	174,335
<b>Financing</b>		
Repayment of secured loan	(20,042,133)	(1,085,000)
Short term working capital movements in shareholder loans	352,120	264,109
Net cash inflow/(outflow)	19,690,013	(820,891)

## Zest Investment Group Limited

### Notes to the financial statements (continued) for the year ended 30 September 2014

#### 18. Analysis of changes in net funds

	1 October 2013 £	Cash flow £	30 September 2014 £
Cash in hand, at bank	211,892	394,672	606,564
Overdrafts	(4,354)	3,993	(361)
	<u>207,538</u>	<u>398,665</u>	<u>606,203</u>
Bank loan due after one year	(4,750,000)	4,750,000	-
Bank loan due within one year	(23,102,269)	15,292,133	(7,810,136)
Shareholder debt	(6,224,245)	(352,120)	(6,576,365)
	<u>(34,076,514)</u>	<u>19,690,013</u>	<u>(14,386,501)</u>
Net debt	<u>(33,868,976)</u>	<u>20,088,678</u>	<u>(13,780,298)</u>
		2014 £	2013 £
Increase/(decrease) in cash in the year		398,665	(580,247)
Cash outflow/(inflow) from decrease/(increase) in debt		19,690,013	820,891
Change in net debt resulting from cash flows		<u>20,088,678</u>	<u>240,644</u>
Net debt at 1 October 2014		<u>(33,868,976)</u>	<u>(34,109,620)</u>
Net debt at 30 September 2013		<u>(13,780,298)</u>	<u>(33,868,976)</u>

#### 19. Commitments

The company is party to an omnibus guarantee in favour of Ulster Bank to secure group borrowings. The total borrowings outstanding at the period end were £7,810,136 (2013: £27,852,269).

The bank loans are secured by a fixed and floating charge over all the assets of the company.

#### 20. Related party transactions

The company is exempt from the requirements of FRS 8 'Related Party Disclosures' to disclose transactions with other members of the group. Other than as disclosed below, there have been no transactions with the directors of the company (refer to note 2), of the group during the year.

Included within amounts owed to shareholders is an amount due to directors of £6,576,365 (2013: £6,244,245). This balance is currently interest free and has no fixed repayment date.

The directors consider Island Construction Limited to be a related party for the purposes of FRS 8 by virtue of a common director, E Coyle. The net amounts owed to Island Construction Limited at the year end were £Nil (2013: £354,323 owed to Island Construction Limited).

#### 21. Ultimate controlling party

The company is jointly controlled by the directors who each control 33.33 per cent of the issued share capital of the company.

## **Zest Investment Group Limited**

### **Notes to the financial statements (continued) for the year ended 30 September 2014**

#### **22. Post Balance Sheet Event**

Subsequent to the year end two of the properties owned by companies within the Zest Investment Group were sold (properties held by Zest Investment (Swaffham) Limited and Oxford (2007) Limited) for a combined consideration of £4,950,000. This constitutes a non-adjusting post balance sheet event but does not impact the going concern status of the group.