Company Registration No. 06684578

Zest Investment Group Limited

Annual Report and Consolidated Financial Statements

30 September 2013

Zest Investment Group Limited

Report and financial statements 2013

Contents

Zest Investment Group Limited

Report and financial statements 2013

Officers and professional advisers

Directors

E J Coyle
G K Sizer
P H Scott

Registered Office

2nd 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
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 and the letting of investment property.

The care home business has made steady progress during the current year, following the takeover of the care homes from Southern Cross during the previous financial year. Occupancy has steadily improved and available beds were 85% occupied at the year-end (2012: 82%)

There were some operational difficulties during the year, particularly at one home where it had been difficult to recruit a suitable Home Manager. That fact compounded with a lack of trained nursing staff created some quality issues. In addition, ongoing refurbishment had resulted in lower than average occupancy. However, since the year-end the Home Manager position has been filled, refurbishment completed, new staff recruited and as a result occupancy has recovered.

The investment property business has achieved £1,442,418 of rental income (2012: £1,238,122). All property owned by the group is currently let.

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,amoritisation and rent) before central costs. EBITDAR during the year was 628,728, (2012: 1,337,202)

- **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.

Zest Investment Group Limited

Strategic report

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.

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

Investment property

- **Occupancy Rates**

    The occupancy levels of the rental properties. The properties were 100% occupied in both 2012 and 2013.

- **Turnover**

    Turnover derviving from investment properties. During the year turnover from rental properties increased by £204,296 to £1,442,418.

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 directors are undertaking a programme to sell the investment properties held.

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;
- Failure to renew banking facilities; and
- Flucutations in property prices and rental yields

Zest Investment Group Limited

Strategic report

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

2 July 2014

Zest Investment Group Limited

Directors' report

The directors present their annual report, together with the financial statements and independent auditor's report for the year ended 30 September 2013.

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
P H Scott (Appointed 3 December 2012)

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

2 July 2014

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 2013 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 21. 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 2013 and of the group's loss 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; or

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

3 July 2014

Zest Investment Group Limited

Consolidated profit and loss account
Year ended 30 September 2013

	Notes	2013 £	2012 £
Turnover	1, 2	8,876,291	7,813,751
Cost of sales		(6,494,848)	(5,238,427)
Gross profit		2,381,443	2,575,324
Administrative expenses (including impairment of fixed assets of £752,714 (2012: £ nil)).		(1,499,468)	(342,665)
Operating profit		881,975	2,232,659
Loss on disposal of property		(51,091)	-
Interest receivable		3,061	7,462
Interest payable		(1,014,174)	(1,277,986)
(Loss)/ profit on ordinary activities before taxation	4	(180,229)	962,135
Tax on ordinary activities	5	(290,654)	(302,644)
(Loss)/ profit for the financial year	14	(470,883)	659,491

All activities derive from continuing operations in the United Kingdom.

Consolidated statement of total recognised gains and losses
For the year ended 30 September 2013

	2013 £	2012 £
(Loss)/profit for the financial year	(470,883)	659,491
Unrealised deficit on revaluation of investment properties	(471,631)	-
Total recognised gains and losses relative to year	(942,514)	659,491

Zest Investment Group Limited

Consolidated balance sheet
30 September 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	7	43,178,912	44,764,156
Current assets			
Cash		211,892	790,045
Debtors	9	448,074	246,562
		659,966	1,036,607
Creditors: amounts falling due within one year	10	(24,978,443)	(26,552,577)
Net current liabilities		(24,318,477)	(25,515,970)
Total assets less current liabilities		18,860,435	19,248,186
Creditors: amount falling due after one year	11	(10,974,245)	(10,710,136)
Provision for liabilities and charges	12	(1,092,466)	(801,812)
Net assets		6,793,724	7,736,238
Capital and reserves			
Called up share capital	13	300	300
Revaluation reserve	14	5,029,247	5,655,878
Profit and loss account	14	1,764,177	2,080,060
Shareholders' funds	15	6,793,724	7,736,238

The financial statements of Zest Investment Group Limited, registered number 06684578 were approved by the Board of Directors on 2 July 2014

Signed on behalf of the Board of Directors

G K Sizer
Director

Zest Investment Group Limited

Company balance sheet
30 September 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	7	13,255	2,645
Investments	8	9	9
		13,264	2,654
Current assets			
Cash		208,650	787,695
Debtors	9	5,678,387	6,981,376
		5,887,037	7,769,071
Creditors: amounts falling due within one year	10	(785,469)	(2,656,534)
Net current assets		5,101,568	5,112,537
Total assets less current liabilities		5,114,832	5,115,191
Creditors: amounts falling due after one year	11	(5,648,164)	(5,384,054)
Net liabilities		(533,332)	(268,863)
Capital and reserves			
Called up share capital	13	300	300
Profit and loss account	14	(533,632)	(269,163)
Shareholders' deficit	15	(533,332)	(268,863)

The financial statements of Zest Investment Group Limited, registered number 06684578 were approved by the Board of Directors on 2 July 2014

Signed on behalf of the Board of Directors

G K Sizer
Director

Zest Investment Group Limited

Consolidated cash flow statement
30 September 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	16	1,077,422	2,663,218
Returns on investments and servicing of finance	17	(1,011,113)	(1,270,524)
Taxation	17	-	-
Capital expenditure and financial investment	17	174,335	(2,756,162)
Increase/(decrease) in cash before financing		240,644	(1,363,468)
Financing	17	(820,891)	1,291,958
Decrease in cash		(580,247)	(71,510)

Zest Investment Group Limited

Notes to the financial statements
Year ended 30 September 2013

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 the company is party to an omnibus guarantee in relation to the group's external bank borrowings and therefore it is also necessary to consider the financial position of the group. Those borrowings are repayable on demand. The group is undertaking a programme to dispose of certain of its properties to generate additional cash to repay a proportion of the bank loan. The directors have held discussions with the bank and they have indicated that they will not seek repayment of the loan for the foreseeable future whilst the disposal programme is undertaken.

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 reasonably possible changes in trading performance, show that the group and company should be able to operate within the level of their current facility, subject to the bank not seeking repayment of the loan.

On the basis of their assessment of the group and company's financial position the company's 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 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.

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)
Year ended 30 September 2013

2. Segmental analysis

	Care home operations	Letting of investment property	Total
	£	£	£
Year ended 30 September 2013			
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)
Year ended 30 September 2012			
Turnover	6,575,629	1,238,122	7,813,751
Payroll costs	(4,217,725)	-	(4,217,725)
Running costs	(1,020,702)	-	(1,020,702)
EBITDAR before central costs	1,337,202	1,238,122	2,575,324
Central costs	(165,196)	(163,178)	(328,374)
EBITDA	1,172,006	1,074,944	2,246,950
Depreciation	(11,648)	(2,643)	(14,291)
Interest receivable	-	7,462	7,462
Interest payable	(851,234)	(426,752)	(1,277,986)
Profit before taxation	309,124	653,011	962,135

3. Employees

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

	2013 Number	2012 Number
Care staff	387	326
Management and administration	13	9
	400	335

Their aggregate remuneration comprised:

	2013 £	2012 £
Wages and salaries	4,508,656	3,809,035
Social security costs	285,796	231,076
	4,794,452	4,040,111

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

	2013 £	2012 £
(Loss) /profit on ordinary activities before taxation is shown after charging:		
Impairment of fixed assets	752,714	-
Depreciation of tangible assets:		
Owned assets	135,473	14,291
Auditor's remuneration:		
- 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	31,000

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

i) Analysis of tax charge on ordinary activities

	2013 £	2012 £
United Kingdom corporation tax on the loss for the period	-	-
Deferred tax:		
Adjustment in respect of prior periods	232,462	39,241
Timing differences, origination and reversal	226,876	333,127
Effect of changes in tax rates	(168,684)	(69,723)
	290,654	302,645
Total current tax charge	290,654	302,645

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: 23.5%: (2012: 25%).

The differences are explained below:

	2013 £	2012 £
(Loss)/profit on ordinary activities before tax	(180,229)	962,134
Tax at 23.5% (2012: 25%) thereon:	(42,351)	240,534
Expenses not deductible for tax purposes	123,910	5,977
Capital allowances in excess of depreciation	(248,225)	(119,366)
Tax losses utilised	166,666	(155,134)
Group relief	-	27,989
Current tax charge for the year	-	-

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 accounts. The parent company is a holding company and the loss for the financial period amounted to £264,469 (2012: Loss of £137,258).

7. Tangible fixed assets

Group	Investment property £	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 October 2012	20,002,506	24,506,965	271,512	2,750	44,783,733
Additions	-	-	339,700	-	339,700
Disposals	(565,126)	-	-	-	(565,126)
Revaluation	817,620	(2,041,965)			(1,224,345)
At 30 September 2013	20,255,000	22,465,000	611,212	2,750	43,333,962
Depreciation					
At 1 October 2012	-	-	19,276	301	19,577
Charge for the year	-	-	134,785	688	135,473
	-	-	154,061	989	155,050
Net book value					
At 30 September 2013	20,255,000	22,465,000	457,151	1,761	43,178,912
At 30 September 2012	20,002,506	24,506,965	252,236	2,449	44,764,156

Company	Fixtures and fittings £
Cost	
At 1 October 2012	10,574
Additions	10,610
At 30 September 2013	21,184
Depreciation	
At 1 October 2012	7,929
Charge for the year	-
	7,929
Net book value	
At 30 September 2013	13,255
At 30 September 2012	2,645

Investment properties

The investment properties were valued by the directors on an open market value at 30 September 2013. If the properties had not been revalued they would have been included at £17,430,699 according to the historical cost convention.

7. Tangible fixed assets (continued)

Freehold land and buildings

The properties were valued by Christie & Co, London at 30 November 201. During the year the directors identified a reduction in value of £2,041,965 and therefore the value has been reduced by £2,041,965.

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 2013	Company 2012
	£	£
Subsidiary undertakings	9	9

	£
Cost and net book value	
At 1 October 2012 and 30 September 2013	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)
Year ended 30 September 2013

9. Debtors

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade debtors	285,336	177,857	500	500
Amounts owed by group undertakings	-	-	5,617,846	6,973,061
Amounts owed by related parties	60,041	-	60,041	-
Prepayments	102,697	68,705	-	7,815
	448,074	246,562	5,678,387	6,981,376

10. Creditors: amounts falling due within one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Bank overdraft (secured)	4,354	2,260	-	-
Amounts owed in respect of secured bank loan	23,102,269	24,187,269	-	-
Trade creditors	270,436	228,772	51,470	34,282
Other creditors	184,049	210,507	14,082	501
Other taxes and social security costs	65,085	75,905	-	-
Accruals and deferred income	937,886	779,510	-	-
Amounts owed to group undertakings	-	-	719,917	1,878,645
Amounts owed to related parties	414,364	1,068,354	-	743,106
	24,978,443	26,552,577	785,469	2,656,534

11. Creditors: amounts falling due after one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Amounts owed in respect of secured bank loan	4,750,000	4,750,000	-	-
Amounts due to shareholders (note 20)	6,224,245	5,960,136	5,648,164	5,384,054
	10,974,245	10,710,136	5,648,164	5,384,054
Bank loan				
Due after five years	4,750,000	4,750,000	-	-

The bank loan is secured and attracts interest at 6.89% fixed. The loan is due for repayment in February 2022.

12. Provisions for liabilities and charges

Group	Deferred tax £
At 1 October 2012	801,812
Profit and loss account charge (note 5)	290,654
At 30 September 2013	1,092,466

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

	2013 £	2012 £
Accelerated capital allowances	1,124,157	822,955
Losses	(163,359)	(21,758)
Deferred tax not provided	131,668	615
	1,092,466	801,812

13. Called-up share capital

	2013 £	2012 £
Allotted, called-up and fully paid		
300 ordinary shares of £1 each	300	300

14. Reserves

	Group		Company
	Revaluation reserve £	Profit and loss account £	Profit and loss account £
At 1 October 2012	5,655,878	2,080,060	(269,163)
Movement in investment revaluation reserve	(471,631)	-	-
Realisation of investment revaluation reserve	(155,000)	155,000	-
Loss for the financial year	-	(470,883)	(264,469)
At 30 September 2013	5,029,247	1,764,177	(533,632)

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
(Loss)/profit for the financial year	(470,883)	659,491	(264,469)	(137,258)
Movement in revaluation reserve	(471,631)	-	-	-
	(942,514)	659,941	(264,469)	(137,258)
Opening shareholders' funds/ (deficit)	7,736,238	7,076,297	(268,863)	(131,605)
Closing shareholders' funds/(deficit)	6,793,724	7,736,238	(533,332)	(268,863)

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

	2013	2012
	£	£
Operating profit	881,975	2,232,659
Depreciation and amortisation	135,473	14,291
Fixed asset impairments	752,714	-
Increase in debtors	(201,512)	(217,322)
(Decrease)/ increase in creditors	(491,228)	633,590
Net cash inflow from operating activities	1,077,422	2,663,218

17. Gross cash flow

	2013	2012
	£	£
Returns on investments and servicing of finance		
Interest received	3,061	7,462
Interest paid	(1,014,174)	(1,277,986)
Net cash outflow	(1,011,113)	(1,270,524)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(339,700)	(2,756,162)
Sale of tangible fixed assets	514,035	-
Net cash inflow/ (outflow)	174,335	(2,756,162)
Financing		
Increase in short-term borrowings	-	1,937,558
Repayment of secured loan	(1,085,000)	(545,000)
Short term working capital movements in shareholder loans	264,109	(100,600)
Net cash (outflow)/inflow	(820,891)	1,291,958

18. Analysis of changes in net funds

	1 October 2012 £	Cash flow £	30 September 2013 £
Cash in hand, at bank	790,045	(578,153)	211,892
Overdrafts	(2,260)	(2,094)	(4,354)
	787,785	(580,247)	207,538
Bank loan due after one year	(4,750,000)	-	(4,750,000)
Bank loan due within one year	(24,187,269)	1,085,000	(23,102,269)
Shareholder debt	(5,960,136)	(264,109)	(6,224,245)
	(34,897,405)	820,891	(34,076,514)
Net debt	(34,109,620)	240,644	(33,868,976)

	2013 £	2012 £
Decrease in cash in the year	(580,247)	(71,510)
Cash outflow/(inflow) from decrease/(increase) in debt	820,891	(1,291,958)
Change in net debt resulting from cash flows	240,644	(1,363,468)
Net debt at 1 October 2012	(34,109,620)	(32,746,152)
Net debt at 30 September 2013	(33,868,976)	(34,109,620)

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 £27,852,269 (2012: £28,937,269).

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 £6,244,245 (2012: £5,960,136). 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 £354,323 (2012: 1,068,354 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.