

Company Registration No. 06684578

Zest Investment Group Limited

**Annual Report and Consolidated
Financial Statements**

30 September 2017



Zest Investment Group Limited

Annual report and financial statements for the year ended 30 September 2017

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Zest Investment Group Limited

Report and financial statements for the year ended 30 September 2017

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 activity 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 250 available beds (2016: 262 available beds). Occupancy has improved slightly and available beds were 93.6% occupied at the year-end (2016: 91.7%)

The directors recommend that no dividend be declared in respect of 2017 (2016: £nil).

Key performance indicators

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, 93.6% (2016: 91.9%)
- **Average weekly fee**
The average weekly fee achieved per occupied bed, £672 per week (2016: £618 per week)
- **Home EBITDAR before central costs.**
Home EBITDAR (Earnings before interest, tax, depreciation, amortisation and rent) before central costs. EBITDAR during the year was £1,359,800 (2016: £1,230,119).
- **EBITDAR margin**
Home EBITDAR before central costs expressed as a percentage of revenue, 16.6% (2016: 15.8%)

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.

Zest Investment Group Limited

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 aren't likely to increase materially over the next few years as public finances remain tight which in essence increases the number of people self-funding and/or paying a top up.

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

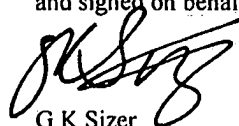
The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties and steps are undertaken to understand and evaluate these in order to achieve our objective of providing excellent, affordable long-term care in the communities where we operate.

The key risks faced by the Group are:

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

Due to the current size of the business, these risks are managed by day to day involvement in the operation of the homes by the Directors. The Group also contracts with a quality audit assessor to independently assess and grade each aspect of our care service against the regulatory standards. Monthly review meetings are held between the Managing Director and each Home Manager to monitor 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

28 June 2018

Zest Investment Group Limited

Directors' report for the year ended 30 September 2017

The directors present their annual report, together with the audited financial statements and independent auditor's report for the year ended 30 September 2017.

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 activity 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 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

28 June 2018

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;
- 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Zest Investment Group Limited:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company balance sheet;
- the consolidated statement of changes in equity;
- the company statement of changes in equity
- the consolidated cash flow statement; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



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

28 June 2018

Zest Investment Group Limited

Consolidated profit and loss account for the year ended 30 September 2017

	Notes	2017 £	2016 £
Turnover	1	8,200,786	7,777,848
Cost of sales		<u>(6,840,986)</u>	<u>(6,547,729)</u>
Gross profit		1,359,800	1,230,119
Administrative expenses		(390,114)	(470,377)
Impairment of tangible fixed assets	7	<u>(550,000)</u>	-
Operating profit		419,686	759,742
Profit on disposal of property		-	12,088
Interest payable	3	<u>(108,384)</u>	<u>(123,085)</u>
Profit before taxation	4	311,302	648,745
Tax on profit	5	<u>(160,086)</u>	<u>(44,220)</u>
Profit for the financial year		<u><u>151,216</u></u>	<u><u>604,525</u></u>

All activities derive from continuing operations in the United Kingdom.

The notes on pages 15 – 24 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 30 September 2017

		2017 £	2016 £
Profit for the financial year		151,216	604,525
Tax relating to components of other comprehensive income	5	<u>50,330</u>	<u>36,402</u>
Total comprehensive income attributable to equity shareholders of the Company		<u><u>201,546</u></u>	<u><u>640,927</u></u>

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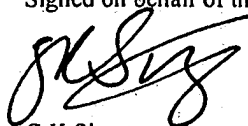
Consolidated balance sheet as at 30 September 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	7	14,437,221	15,006,183
Current assets			
Debtors	9	313,965	275,895
Cash at bank and in hand		1,049,918	896,366
		1,363,883	1,172,261
Creditors: amounts falling due within one year	10	(1,001,619)	(1,087,562)
Net current assets		362,264	84,699
Total assets less current liabilities		14,799,485	15,090,882
Creditors: amount falling due after one year	11	(8,030,225)	(8,519,287)
Provision for liabilities and charges	12	(622,089)	(625,970)
Net assets		6,147,171	5,945,625
Capital and reserves			
Called up share capital	13	300	300
Fair value reserve		536,156	485,826
Profit and loss account		5,610,715	5,459,499
Shareholders' funds		6,147,171	5,945,625

The notes on pages 15 – 24 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 28 June 2018.

Signed on behalf of the Board of Directors



G K Sizer
Director

Zest Investment Group Limited

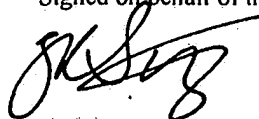
Company balance sheet as at 30 September 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	7	-	2,663
Investments	8	9	9
		<u>9</u>	<u>2,672</u>
Current assets			
Debtors	9	11,541,303	12,035,599
Cash at bank and in hand		<u>1,040,667</u>	<u>882,617</u>
		12,581,970	12,918,617
Creditors: amounts falling due within one year	10	<u>(701,547)</u>	<u>(5,844,598)</u>
Net current assets		<u>11,880,423</u>	<u>7,073,618</u>
Total assets less current liabilities		11,880,432	7,076,290
Creditors: amounts falling due after one year	11	(8,030,225)	(8,519,287)
Provision for liabilities and changes	12	-	-
Net assets/(liabilities)		<u>3,850,207</u>	<u>(1,442,997)</u>
Capital and reserves			
Called up share capital	13	300	300
Profit and loss account		<u>3,849,907</u>	<u>(1,443,297)</u>
Shareholders' funds/(deficit)		<u>3,850,207</u>	<u>(1,442,997)</u>

The notes on pages 15 – 24 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 28 June 2018. The loss for the financial year dealt with in the financial statements of the parent Company was £240,396 (2016: loss £257,072).

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 2017

	Called-up share capital £	Fair Value Reserve £	Profit and loss account £	Total £
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
Profit and total comprehensive income for the financial year	-	-	151,216	151,216
Release of deferred tax from revaluation	-	50,330	-	50,330
At 30 September 2017	300	536,156	5,610,715	6,147,171

Zest Investment Group Limited

Company statement of changes in equity as at 30 September 2017

	Called-up share capital £	Profit and loss account £	Total £
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)
Profit and total comprehensive income for the financial year	-	(240,396)	(240,396)
Dividends from group undertakings		5,533,600	5,533,600
At 30 September 2017	300	3,849,907	3,850,207

Zest Investment Group Limited

Consolidated cash flow statement for the year ended 30 September 2017

	Note	2017 £	2016 £
Net cash inflow from operating activities	14	1,071,952	1,129,295
Cash flows from investing activities			
Purchase of tangible fixed assets		(130,895)	(129,811)
Sale of asset held for resale		-	185,751
Net cash flows from investing activities		<u>(130,895)</u>	<u>55,940</u>
Taxation			
Corporation tax paid		(51,726)	-
Tax paid		<u>(51,726)</u>	<u>-</u>
Cash flows from financing activities			
Interest paid		(108,384)	(123,085)
New secured loan		1,115,000	-
Repayment of new secured loan and arrangement fee		(250,000)	(250,000)
Short term working capital movements in shareholder loans		(1,492,395)	(588,280)
Net cash flows from financing activities		<u>(735,779)</u>	<u>(961,365)</u>
Net Increase in cash and cash equivalents		153,552	223,870
Cash and cash equivalents at beginning of year		896,366	672,496
Cash and cash equivalents at end of year		<u>1,049,918</u>	<u>896,366</u>

The notes on pages 15 – 24 form an integral part of these financial statements.

Zest Investment Group Limited

Notes to the financial statements for the year ended 30 September 2017

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 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. 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. Subsequent to the year end, the directors secured an extension to the secured loan which originally matured in April 2018. The repayment date is now 31 March 2020 and therefore beyond 12 months from the date of signing these financial statements.

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 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.

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

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.

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

1. Accounting policies (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 7 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. Employees

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

	2017 Number	2016 Number
Care staff	367	366
Management and administration	13	13
	<u>380</u>	<u>379</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	4,461,103	4,441,334
Social security costs	291,786	275,705
Pension costs	24,085	22,467
	<u>4,776,974</u>	<u>4,739,506</u>

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

3. Profit before taxation

	2017 £	2016 £
Profit before taxation is shown after charging:		
Depreciation of tangible assets:		
Owned assets	149,857	215,018
Impairment of tangible assets	550,000	-
Auditor's remuneration:		
- fees payable to company's auditor for the audit of the company's annual financial statements	6,000	7,075
- fees payable to company's auditor for the audit of the subsidiary annual financial statements	10,000	9,675
	<u>10,000</u>	<u>9,675</u>

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

4. Finance charges (net)

	2017 £'000	2016 £'000
Interest payable and similar charges	<u>108,384</u>	<u>123,085</u>

5. Tax on profit on ordinary activities

The tax charge comprises:

	2017 £	2016 £
Current tax:		
UK corporation tax on profits for the period	<u>113,635</u>	<u>51,726</u>
Total current tax	<u>113,635</u>	<u>51,726</u>
Deferred tax		
Origination and reversal of timing differences	54,063	56,304
Adjustment in respect of previous periods	-	(24,572)
Effect of changes in tax rates	<u>(7,611)</u>	<u>(39,238)</u>
Total deferred tax	<u>46,452</u>	<u>(7,506)</u>
Total tax on profit on ordinary activities	<u>160,086</u>	<u>44,220</u>
Other comprehensive income items		
Deferred tax current year charge/(credit)	<u>(50,330)</u>	<u>(36,402)</u>

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

5. Tax on profit on ordinary activities (continued)

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:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>311,302</u>	<u>648,745</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.5 per cent (2016: 20 per cent)	60,700	129,749
Effects of:		
- Expenses not deductible	112,717	2,103
- Tax losses utilised	-	(23,821)
- Adjustment from previous periods	-	(24,572)
- Tax rate changes	(7,610)	(39,238)
- Movement in deferred tax not recognised	(5,719)	-
- Roundings	(2)	(1)
Total tax charge/(credit) for period	<u>160,086</u>	<u>44,220</u>

6. 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 £240,396 (2016: loss £257,062).

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

7. Tangible fixed assets

Group	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2016	14,800,000	995,878	87,140	15,883,018
Additions	-	130,895	-	130,895
Impairment	(550,000)	-	-	(550,000)
At 30 September 2017	14,250,000	1,126,773	87,140	15,463,913
Depreciation				
At 1 October 2016	-	817,422	59,413	876,835
Charge for the year	-	128,759	21,098	149,857
At 30 September 2017	-	946,181	80,511	1,026,692
Net book value				
At 30 September 2017	14,250,000	180,592	6,629	14,437,221
At 30 September 2016	14,800,000	178,456	27,727	15,006,183
Company				Fixtures and fittings £
Cost				
At 1 October 2016 and 30 September 2017				21,184
Depreciation				
At 1 October 2016				18,521
Charge for the year				2,663
At 30 September 2017				21,184
Net book value				
At 30 September 2017				-
At 30 September 2016				2,663

The freehold land and buildings were valued by the directors on an open market value basis at 30 September 2017. The impairment arises as a result of the directors applying value to the current number of operational beds rather than registered beds. The beds not currently in use are anticipated to be used in the future however the decision has been taken to impair in the current year due to current market conditions and operational performance of the home.

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.

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

8. Fixed asset investments

	Company	
	2017	2016
	£	£
Subsidiary undertakings	9	9
Cost and net book value		
At 1 October 2016 and 30 September 2017		9

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

	Country of incorporation	Registered number	Principal activity	Holding	%
Zest Investment (Watton) Limited	England	06684430	Dormant	Ordinary shares	100%
Zest Investment (Bohill) Limited	England	06774343	Dormant	Ordinary shares	100%
Zest Investment (Newtownards) Limited	England	06550615	Dormant	Ordinary shares	100%
Zest Investment (Swaffham) Limited	Northern Ireland	NI053414	Dormant	Ordinary shares	100%
Zest Investment (Omagh) Limited	England	06708014	Letting of freehold property	Ordinary shares	100%
Zest Investment (Portadown) Limited	England	06707890	Letting of freehold property	Ordinary shares	100%
Zest Investment (Bridgewater) Limited	England	06717307	Dormant	Ordinary shares	100%
Zest Investment Property Group Limited	Northern Ireland	NI058855	Intermediate Holding company	Ordinary shares	100%
Bramley (2007) Limited*	England	05624707	Intermediate holding company	Ordinary shares	100%
Bramley Court (Care Homes) Limited*	England	05107197	Letting of freehold property	Ordinary shares	100%
Zest Care Homes Limited	England	06315771	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.

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

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

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

9. Debtors due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	141,334	140,346	-	-
Amounts owed by group undertakings	-	-	11,430,409	12,015,030
Amounts owed by related parties	87,885	-	86,810	-
Other debtors	25,284	21,730	24,084	20,569
Prepayments	59,462	113,819	-	-
	<u>313,965</u>	<u>275,895</u>	<u>11,541,303</u>	<u>12,035,599</u>

10. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank overdraft (secured)	-	-	-	-
Amounts owed in respect of secured loan (see below)	125,000	250,000	125,000	250,000
Trade creditors	188,797	204,814	26,228	12,394
Corporation tax	113,635	51,726	13,833	-
Other creditors	60,587	65,145	-	-
Other taxes and social security costs	68,568	63,725	-	-
Accruals and deferred income	445,032	452,152	30,000	48,600
Amounts owed to group undertakings	-	-	506,486	5,533,604
	<u>1,001,619</u>	<u>1,087,562</u>	<u>701,547</u>	<u>5,844,598</u>

An extension to the secured loan facility taken out in the prior year of £1.115m has been entered into, expiring in April 2020, the loan being secured on properties held by the group. Interest is payable quarterly at a fixed cost of 2.25%.

11. Creditors: amounts falling due after one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts owed in respect of secured loan	4,365,000	3,375,000	4,365,000	3,375,000
Unamortised bank loan arrangement fees	(6,667)	(20,000)	(6,667)	(20,000)
Amounts due to shareholders (note 15)	3,671,892	5,164,287	3,671,892	5,164,287
	<u>8,030,225</u>	<u>8,519,287</u>	<u>8,030,225</u>	<u>8,519,287</u>

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

12. Provisions for liabilities and charges

Group	Deferred tax £
At 1 October 2016	625,970
Profit and loss account charge (note 6)	46,452
Release to OCI in relation to revaluation	(50,330)
Roundings	(3)
	<hr/>
At 30 September 2017	622,089
	<hr/> <hr/>

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

	2017 £	2016 £
Fixed asset timing differences	624,291	628,394
Short term timing differences	(2,200)	(2,392)
Roundings/(losses)	(2)	(32)
	<hr/>	<hr/>
	622,089	625,970
	<hr/> <hr/>	<hr/> <hr/>

Company	Deferred tax £
At 1 October 2016 and At 30 September 2017	-
	<hr/> <hr/>

Zest Investment Group Limited

Notes to the financial statements (continued) for the year ended 30 September 2017

13. Called-up share capital – Group and company

	2017	2016
	£	£
<i>Allotted, called-up and fully paid</i> 300 ordinary shares of £1 each	300	300

14. Reconciliation of operating profit to cash generated by operations

	2017	2016
	£	£
Operating profit	969,686	759,743
Adjustment for:		
Depreciation and amortisation	163,190	235,018
Operating cash flow before movement in working capital	1,132,876	994,761
Decrease/(increase) in debtors	(38,072)	5,511
Increase/(decrease) in creditors	(22,852)	129,023
Cash generated by operations	1,071,952	1,129,295

15. 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 £3,172,042 (2016: £4,664,287). 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 common directors. The amount owed by Care Protect Limited at the year-end was £87,885 (2016: £3,952). This amount relates to a short term working capital movements. Care Protect Limited provides visual surveillance and monitoring services to the Group.

The directors consider Sistine Properties (Thetford) Limited to be a related party for the purposes of FRS 102 Section 33 by virtue of a common director, P Scott. The company has entered into a loan facility agreement with Sistine Properties (Thetford) Limited. The amount outstanding at the balance sheet date was £4,490,000 (2016: £3,625,000) (notes 10 and 11). The loan is due for repayment in April 2020.

16. Ultimate controlling party

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