

Company Registration No. 06707890

Zest Investment (Portadown) Limited

Report and Financial Statements

30 September 2012

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Zest Investment (Portadown) Limited

Report and financial statements 2012

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Zest Investment (Portadown) Limited

Report and financial statements 2012

Officers and professional advisers

Directors

E J Coyle

G Sizer

P H Scott (appointed 3 December 2012)

Registered Office

2nd Floor

Tirrem House

16 High Street

Yarm

TS15 9AE

Bankers

Ulster Bank Limited

11-16 Donegall Square East

Belfast

BT7 5UB

Solicitors

DLA Piper UK LLP

Princes Exchange

Princes Square

Leeds

LS1 4BY

Auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

Newcastle upon Tyne

Zest Investment (Portadown) 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 2012.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

Activities

The principal activity of the company during the year has been the letting of investment property. On 1 October 2011, the lease relating to the investment property was transferred from Southern Cross Healthcare Group Plc to Zest Care Homes Limited, a fellow group company.

Directors

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

E J Coyle

G Sizer

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 8, of the financial statements.

Auditor

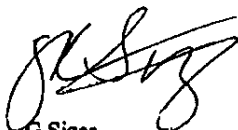
Each of the persons who are directors of the company at the date of this report confirms that:

- 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 Sizer
Director

28 June 2013

Zest Investment (Portadown) 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 company and of the profit or loss of the company 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 company 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 (Portadown) Limited

We have audited the financial statements of Zest Investment (Portadown) Limited for the year ended 30 September 2012 which comprise the profit and loss account, the balance sheet, statement of total recognised gains and losses, 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 (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. 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 company's affairs as at 30 September 2012 and of its profit for the year there 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

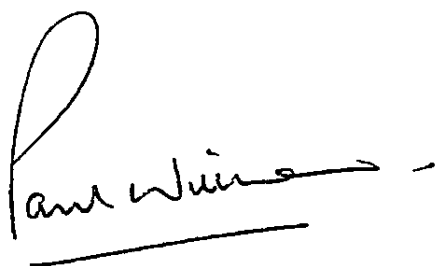
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Zest Investment (Portadown) 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report

A handwritten signature in black ink, appearing to read 'Paul Williamson', with a horizontal line underneath it.

Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne, United Kingdom
28 June 2013

Zest Investment (Portadown) Limited

Profit and loss account Year ended 30 September 2012

	Notes	2012 £	2011 £
Turnover	1	374,698	298,426
Administrative expenses		(52)	(63)
Operating profit		374,646	298,363
Interest payable		(143,870)	(101,070)
Profit on ordinary activities before taxation	3	230,776	197,293
Tax on profit on ordinary activities	4	(44,068)	(44,259)
Profit for the financial year		186,708	153,034

All activities derive from continuing operations

Statement of total recognised gains and losses Year ended 30 September 2012

	2012 £	2011 £
Profit for the financial year	186,708	153,034
Unrealised deficit on revaluation of investment properties	-	(27,000)
Total recognised gains and losses relating to the year	186,708	126,034

Zest Investment (Portadown) Limited

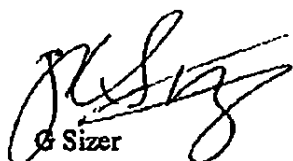
Balance sheet 30 September 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	5	<u>4,700,000</u>	<u>4,700,000</u>
Current assets			
Debtors	6	374,698	425,004
Creditors: amounts falling due within one year	7	<u>(4,446,160)</u>	<u>(4,727,242)</u>
Net current liabilities		<u>(4,071,462)</u>	<u>(4,302,238)</u>
Total assets less current liabilities		628,538	397,762
Creditors: amounts falling due in more than one year	8	-	-
Provision for liabilities and charges	10	<u>(156,694)</u>	<u>(112,626)</u>
Net assets		<u>471,844</u>	<u>285,136</u>
Capital and reserves			
Called up share capital	11	1	1
Investment revaluation reserve	12	16,631	16,631
Profit and loss account	12	<u>455,212</u>	<u>268,504</u>
Shareholders' funds	13	<u>471,844</u>	<u>285,136</u>

These accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime

The financial statements of Zest Investment (Portadown) Limited, registered number 06707890 were approved by the Board of Directors on 28 June 2013

Signed on behalf of the Board of Directors


G Sizer
Director

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

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 and preceding financial year.

Basis of accounting

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 applicable United Kingdom accounting standards.

Going concern

The company's principal activity is described in the directors' report. The financial position of the company is set out on page 7.

The current economic conditions create uncertainty over (a) the property yield and valuation, and (b) the liquidity position of the company.

As highlighted in notes 7 and 9 to the financial statements, the company meets its day-to-day working capital requirements through a bank loan facility and inter-company borrowings. As disclosed in note 14 the company is also party to an omnibus guarantee in relation to the group's borrowings and therefore it is also necessary to consider the financial position of the group. The company and group's loan facility is a 12 month term loan due for renewal in October 2013. The directors have held conversations with the bank, and no matters have been drawn to the directors' attention to suggest that renewal may not be forthcoming on acceptable terms.

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 its renewal.

On the basis of their assessment of the group and company's financial position and of the enquiries made of the directors of Zest Investment Group Limited, 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 represents amounts receivable in respect of rental income on investment properties, and is derived from the company's principal activity. All turnover originates in the United Kingdom.

Rental income from operating leases is recognised in line with the terms of the relevant lease.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings 50 years

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

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

1. Accounting policies (continued)

Revaluation of properties

A full independent valuation of freehold properties is performed every five years with an interim valuation every three years. The surplus or deficit on the book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. On an annual basis the director assesses the carrying value of freehold and leasehold properties, to determine if there has been a material change in value, and if in his judgement the carrying value is appropriate. No annual transfer is made between the revaluation reserve and the profit and loss account to reflect the excess depreciation charged on the revalued portion of the asset.

Investment properties

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.

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.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the 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.

Cash flow statement

The company is not presenting a cash flow statement in accordance with the exemption in FRS 1 - Cash Flow Statements. The company qualifies as a small company in companies legislation.

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

2. Employees

The average number of employees (including directors) was

	2012 No.	2011 No.
Directors	2	2

No emoluments were received or are receivable by any director in respect of services during the current or preceding year

3. Profit on ordinary activities before taxation

Audit fees are of £3,00 (2011 £3,000) paid by another group company

4. Tax on profit on ordinary activities

i) Analysis of tax charge on ordinary activities

	2012 £	2011 £
United Kingdom corporation tax on the profit for the year	-	-
Deferred tax	-	-
Timing differences, origination and reversal	57,694	53,264
Effect of changes in tax rates	(13,626)	(9,005)
	<u>44,068</u>	<u>44,259</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 25% (2011 27%)

The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>230,776</u>	<u>197,293</u>
Tax at 25% (2011 27%) thereon	57,694	53,264
Capital allowances in excess of depreciation	(35,564)	(49,313)
Tax losses utilised	(22,130)	-
Losses not utilised	-	(3,951)
Current tax charge for the year	<u>-</u>	<u>-</u>

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

4. Tax on profit on ordinary activities (continued)

The UK Government announced in March 2012 that it intended to reduce the main rate of UK corporation tax from 25% to 23% and Finance Act 2012, which was substantively enacted on 17 July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these accounts, which has resulted in a credit to the profit & loss account of £13,626.

The UK Government announced in March 2013 it intends to enact further reductions of the main rate of corporation tax, reducing it to 21% with effect from 1 April 2014 and then by a further 1% to 20% by 1 April 2015. As this legislation was not substantively enacted by 30 September 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets and liabilities of the company were all to reverse after 1 April 2014, the effect of the changes from 23% to 20% would be to reduce the deferred tax liability by £20,438.

5. Tangible fixed assets

	Freehold property £	Investment property £
Valuation		
At 1 October 2011	-	4,700,000
Revaluation	4,700,000	(4,700,000)
	<hr/>	<hr/>
At 30 September 2012	4,700,000	-
	<hr/>	<hr/>
Net book value		
At 30 September 2012	4,700,000	-
	<hr/>	<hr/>
At 30 September 2011	-	4,700,000
	<hr/>	<hr/>

At 30 September 2012 £63,037 (2011 £63,037) of interest had been capitalised within freehold property (2011 investment property).

The property was valued by Christie + Co, London at 30 November 2011 on a going concern basis at £4,700,000.

If the property had not been revalued it would have been included at £4,683,369 according to the historical cost convention.

6 Debtors

	2012 £	2011 £
Amounts owed by group undertakings	374,698	425,004
	<hr/>	<hr/>

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

7. Creditors: amounts falling due within one year

	2012 £	2011 £
Amounts owed in respect of secured bank loan (See note 14)	3,492,940	3,617,940
Amounts owed to related parties	194,110	194,110
Amounts owed to group undertakings	721,431	889,379
Accruals and deferred income	37,679	25,813
	<u>4,446,160</u>	<u>4,727,242</u>

8 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Amounts owed in respect of secured bank loan	-	-

9. Borrowings

Amounts owed in respect of bank loan:

	2012 £	2011 £
Amounts due within one year	3,492,940	3,617,940
Between one and two years	-	-
Between two and five years	-	-
	<u>3,492,940</u>	<u>3,617,940</u>

The bank loan is a term facility of £3,693,000 provided by Ulster Bank. Interest is payable at 2% per annum above 3 month LIBOR. Capital repayments of £25,000 per quarter are payable.

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

10. Provision for liabilities and charges

	Deferred tax £
At 1 October 2011	112,626
Profit and loss account charge (note 4)	44,068
	<u>156,694</u>
At 30 September 2012	<u>156,694</u>

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

	2012 £	2011 £
Accelerated capital allowances	162,963	141,570
Tax losses available	(6,269)	(28,944)
	<u>156,694</u>	<u>112,626</u>

11. Called-up share capital

	2012 £	2011 £
<i>Allotted, called-up and fully paid</i> 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

12. Reserves

	Profit and loss account £	Revaluation reserve £
At 1 October 2011	268,504	16,631
Profit for the financial year	186,708	-
	<u>455,212</u>	<u>16,631</u>
At 30 September 2012	<u>455,212</u>	<u>16,631</u>

Zest Investment (Portadown) Limited

Notes to the financial statements Year ended 30 September 2012

13. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	186,708	153,034
Movement in revaluation reserve	-	(27,000)
Net increase to shareholders' funds	186,708	126,034
Opening shareholders' funds	285,136	159,102
Closing shareholders' funds	471,844	285,136

14. Commitments

The company is party to an omnibus guarantee in favour of Ulster Bank to secure group borrowings. The total borrowings outstanding at the year end were £28,937,269 (2011: £27,544,711).

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

15. Related party transactions

The company is a wholly owned subsidiary of Zest Investment Group Limited and is exempt from the requirements of FRS 8 'Related Party Disclosures' to disclose transactions with other members of the group headed by Zest Investment Group Limited. There have been no transactions with the directors of the company (refer to note 2), or of the group in the year.

The company considers Island Construction Limited to be a related party for the purposes of FRS 8 'Related Party Disclosures'. Island Construction Limited is a company with a common director.

The amounts outstanding at the period end were as follows:

	2012 £	2011 £
Retention sums due	194,110	194,110

16. Ultimate parent company and controlling party

The directors regard Zest Investment Group Limited, a company incorporated in England and Wales, as being the company's immediate and ultimate parent company.

Zest Investment Group Limited is jointly controlled by the directors who each individually hold 33.33 per cent of the issued share capital of the company.