Company Registration No.06774343

ZEST INVESTMENT (BOHILL) LIMITED

Report and Financial Statements

30 September 2011

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E J Coyle
G Sizer

REGISTERED OFFICE

Park Hall
Middleton St George Hospital
Darlington
County Durham
DL2 1TS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2011.

ACTIVITIES

The principal activity of the company during the year has been the development of and subsequent letting of investment property On 11 July 2011 the asset under construction was completed and a 30 year lease for the property was entered into with Priory (Watton) Limited.

DIRECTORS

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

E J Coyle
G 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 7, 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.

EXEMPTIONS

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

G Sizer
Director

Date 29 June 2012

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 (BOHILL) LIMITED

We have audited the financial statements of Zest Investment (Bohill) Limited for the year ended 30 September 2011 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 15 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, 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 take advantage of the small companies exemption in preparing the directors' report

Paul Williamson

Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle Upon Tyne, United Kingdom
29 June 2012

PROFIT AND LOSS ACCOUNT
Year ended 30 September 2011

	Note	2011 £	2010 £
TURNOVER	1	131,536	-
Administrative expenses		(20)	-
OPERATING PROFIT		131,516	-
Interest payable	3	(46,055)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	85,461	-
Tax on profit on ordinary activities	5	(21,365)	-
PROFIT FOR THE FINANCIAL YEAR		64,096	-

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2011

	Note	2011 £	2010 £
Profit for the financial year		64,096	-
Unrealised surplus on revaluation of investment properties	6	505,901	-
Total recognised gains and losses relating to the year		569,997	

BALANCE SHEET
30 September 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	6		7,800,000		3,372,536
CURRENT ASSETS					
Cash		-		-	
Debtors	7	84,613		9,406	
		84,613		9,406	
CREDITORS: Amounts falling due within one year	8	(7,293,251)		(3,381,941)	
NET CURRENT LIABILITIES			(7,208,638)		(3,372,535)
TOTAL ASSETS LESS CURRENT LIABILITIES			591,362		1
PROVISION FOR LIABILITIES	10		(21,365)		-
NET ASSETS			569,998		1
CAPITAL AND RESERVES					
Called up share capital			1		1
Investment revaluation reserve	11		505,901		-
Profit and loss account	11		64,096		-
SHAREHOLDERS' FUNDS	12		569,998		1

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 (Bohill) Limited registered number 06774343 were approved by the Board of Directors on 29 June 2012

Signed on behalf of the Board of Directors

G Sizer

Director

NOTES TO THE ACCOUNTS
Year ended 30 September 2011

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 period

Basis of accounting

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

Going concern

The company's principal activity is described in the directors' report The financial position of the company is set out on page 6

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 8 to the financial statements, the company meets its day-to-day working capital requirements through a bank loan facility and inter-company borrowings

The bank loan facility is subject to a standstill agreement dated 14 June 2012 which extends until 30 September 2012, at which point, all bank loans within the group fall due for repayment on demand The directors are working closely with their bankers to agree the restructure of the debt of the group on a term facility basis during the period of the standstill agreement, sufficient to support the business in the future The directors have been advised by the bank that they expect to agree facilities for a period of at least 12 months from the end of the standstill agreement, subject to the normal bank approval process, on the basis that the company is continuing to meet current repayment terms on the existing facilities in place

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility, subject to its renewal as outlined above

Thus the directors have a reasonable expectation at the time of approving the financial statements that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the 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

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 tax rates and laws that have been enacted or substantively enacted by the balance sheet date

NOTES TO THE ACCOUNTS
Year ended 30 September 2011

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

2. EMPLOYEES

The average number of employees (including directors) was

	2011 No.	2010 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. INTEREST PAYABLE

	2011 £	2010 £
Bank loans and overdrafts	62,283	69,900
Finance costs capitalised	(16,228)	(69,900)
Bank loans and overdrafts	46,055	-

4. OPERATING PROFIT

	2011 £	2010 £
Operating profit is shown after charging/(crediting)		
Auditor's remuneration:		
- fees payable to company's auditor for the audit of the company's annual accounts	2,000	2,000

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

i) Analysis of tax charge on ordinary activities

	2011 £	2010 £
United Kingdom corporation tax on the profit/(loss) for the period	-	-
Total current tax charge	-	-
Deferred tax		
Timing differences, origination and reversal	23,072	-
Effect of changes in tax rates	(1,707)	-
	21,365	-

NOTES TO THE ACCOUNTS
Year ended 30 September 2011

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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 27% (2010 28%)

The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	85,460	-
Tax at 27% (2010 28%) thereon	23,072	-
Capital allowances in excess of depreciation	(130,961)	-
Losses not utilised	107,889	-
Current tax charge for the year	-	-

Finance Act 2011 was substantively enacted on 5 July 2011 and included a provision to reduce the corporation tax rate to 25% with effect from 1 April 2012 Accordingly, the deferred tax liability has been revalued from 27% to 25% in the accounts, which gives rise to a reduction in the deferred tax liability of £1,707 attributable to the rate change

The Government announced in the 2012 Budget a further reduction in the rate of corporation tax to 24$ from 1 April 2012, which was substantively enacted on 26 March 2012, and by a further 1% each year to 22% by 1 April 2012 As none of these rates were substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 19, as it is a non-adjusting event occurring after the reporting period

6 TANGIBLE FIXED ASSETS

	Land held for development £	Investment Properties £
Cost		
At 1 October 2010	3,921,563	-
Additions	3,372,536	-
Transfers	(7,294,099)	7,294,099
Revaluation	-	505,901
At 30 September 2011	-	7,800,000
Net book value		
At 30 September 2011	-	7,800,000
At 30 September 2010	3,372,536	-

At 30 September 2011 £86,128 (2010 £69,900) of interest had been capitalised within land held for development

The investment property was valued by Christie + Co, London at 30 November 2011 on a going concern basis at £7,800,000

If the property had not been revalued it would have been included at £7,294,099 according to the historical cost convention

NOTES TO THE ACCOUNTS
Year ended 30 September 2011

7. DEBTORS

	2011 £	2010 £
Amounts owed by group undertakings	9,406	9,406
Amounts owed by related parties	75,207	-
	84,613	9,406

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Amounts owed in respect of secured bank loan	5,386,790	1,137,500
Amounts owed to group undertakings	936,561	526,449
Accruals	969,900	995,430
Amounts due to related parties	-	722,562
	7,293,251	3,381,941

9. BORROWINGS

Amounts owed in respect of bank loan analysis:	2011 £	2010 £
Amounts due within one year	5,386,790	1,137,500
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
	5,386,790	1,137,500

The bank loan is an on-demand loan facility of £5,451,500 provided by Ulster Bank Interest is currently payable at 3% per annum above 3 month LIBOR

10. PROVISION FOR LIABILITIES

	Deferred tax £
At 1 October 2010	-
Profit and loss account charge (note 4)	21,365
At 30 September 2011	21,365

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

	2011 £	2010 £
Accelerated capital allowances	150,576	89,363
Tax losses available	(129,211)	(20,996)
	21,365	68,367

NOTES TO THE ACCOUNTS
Year ended 30 September 2011

11. RESERVES

	Profit and loss account £	Revaluation reserve £
At 1 October 2010	-	-
Profit for the financial year	64,096	-
Movement in investment revaluation reserve	-	505,901
At 30 September 2011	64,096	505,901

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	64,096	-
Movement in investment revaluation reserve	505,901	-
Net increase to shareholders' funds	569,997	-
Opening shareholders' funds	1	1
Closing shareholders' funds	569,998	1

13. 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 £27,544,711 (2010 £22,580,854)

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

NOTES TO THE ACCOUNTS
Year ended 30 September 2011

14. 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 consider Island Construction Limited to be a related party for the purposes of FR8 'Related Party Disclosures' as that company has a common director

The aggregate transactions with the company during the period were as follows

	2011 £	2010 £
Amounts payable in relation to construction costs	3,754,595	1,597,585

The amounts outstanding at the year end were as follows

	2011 £	2010 £
Amounts payable in relation to construction costs	-	712,562
Short term funding	(161,487)	10,000
Accruals	-	991,149
Retention sum due	86,280	-
	(75,207)	1,713,711

15. 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 The only group in which the results of Zest Investment (Bohill) Limited will be consolidated is that headed by Zest Investment Group Limited

Zest Investment Group Limited is jointly controlled by the directors who both individually hold 31 67 per cent of the issued share capital of the company