

**Company Registration No. 06315771**

**Zest Care Homes Limited**

**Annual Report and Financial Statements**

**for the year ended 30 September 2015**



# **Zest Care Homes Limited**

## **Annual Report and Financial Statements for the year ended 30 September 2015**

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# **Zest Care Homes Limited**

## **Annual Report and Financial Statements for the year ended 30 September 2015**

### **Officers and professional advisers**

#### **Directors**

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

#### **Company Secretary**

G Sizer

#### **Registered Office**

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

#### **Bankers**

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

#### **Solicitor**

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

#### **Auditor**

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

# **Zest Care Homes Limited**

## **Strategic Report for the year ended 30 September 2015**

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the operation of care homes for the elderly.

The care home business has made steady progress during the current year. Occupancy has remained the same and available beds were 86.5 % occupied at the year-end (2014: 86.5%)

#### **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. Average weekly fee, the average weekly fee achieved per occupied bed.
- **Home EBITDAR before central costs.**  
Home EBITDAR (Earnings before interest, tax, depreciation, amortisation and rent) before central costs. EBITAR during the year was £1,126,066 (2014: £1,159,251).
- **EBITDAR margin**  
Home EBITDAR before central costs expressed as a percentage of revenue.

In terms of outlook, the Directors remain committed to the totem of 'quality and profit being synonymous'. We continue to focus on maximising occupancy whilst continuously improving the level of service offered. As individual homes achieve capacity and satisfactory regulatory reports, the strategy remains thereafter to improve fee rate mix by using natural occupancy churn to offer bed space to the highest potential fee payer. We continue to attempt to improve private to public fee payer mix.

In tandem service enhancements continue such as the addition of minibuses this year and supernumerary deputy managers with a very specific focus on daily and weekly in house quality audit, staff training and supervision, staff roster management and appraisal.

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.

# **Zest Care Homes Limited**

## **Directors' Report**

### **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 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.

### **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 company was improved, 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 company are:

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

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

26 June 2016

# **Zest Care Homes Limited**

## **Directors' Report**

The directors present the annual report, together with the audited financial statements and independent auditor's report for the year ended 30 September 2015.

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 company is the operation of nursing and residential care homes for the elderly.

### **Directors**

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

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

### **Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note, on page 10, of the financial statements.

### **Dividends**

The directors have not recommended a dividend.

### **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 Section 418 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

26 June 2016

## **Zest Care Homes Limited**

### **Directors' Responsibilities Statement for the year ended 30 September 2015**

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 year. 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 member of Zest Care Homes Limited for the year ended 30 September 2015**

We have audited the financial statements of Zest Care Homes Limited for the year ended 30 September 2015 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 14. 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 member 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 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 course 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 company's affairs as at 30 September 2015 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.



**Independent Auditor's Report to the member of  
Zest Care Homes Limited for the year ended 30 September 2015  
(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.



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

27 June 2016

# Zest Care Homes Limited

## Profit and loss account for the year ended 30 September 2015

	Notes	2015 £	2014 £
Turnover	1	7,376,340	8,344,527
Cost of sales		(6,250,274)	(8,783,383)
<b>Gross profit/(loss)</b>		<b>1,126,066</b>	<b>(438,856)</b>
Administrative expenses		(439,799)	(600,141)
<b>Profit/(loss) on ordinary activities before taxation</b>	3	<b>686,267</b>	<b>(1,038,997)</b>
Tax on profit/(loss) on ordinary activities	4	80,510	-
<b>Profit/(loss) for the financial year</b>		<b>766,777</b>	<b>(1,038,997)</b>

All activities derive from acquisitions in the year and from continuing operations in the United Kingdom.

The notes on pages 10 – 15 form an integral part of these financial statements.

The Company has no recognised gains and losses in either the current or prior year other than as stated in the profit and loss account. Accordingly no separate statement of total recognised gains and losses has been presented.

# Zest Care Homes Limited

## Balance sheet as at 30 September 2015

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	5	278,135	492,837
<b>Current assets</b>			
Cash		4,523	3,242
Debtors	6	443,768	261,836
		448,291	265,078
<b>Creditors: amounts falling due within one year</b>	7	(2,514,330)	(3,232,086)
<b>Net current liabilities</b>		(2,066,039)	(2,967,008)
<b>Total assets less current liabilities</b>		(1,787,904)	(2,474,171)
<b>Provision for liabilities and charges</b>	8	80,510	-
<b>Net liabilities</b>		(1,707,394)	(2,474,170)
<b>Capital and reserves</b>			
Called up share capital	9	999	999
Profit and loss account	10	(1,708,393)	(2,475,170)
<b>Shareholders' deficit</b>	11	(1,707,394)	(2,474,171)

The notes on pages 10 – 15 form an integral part of these financial statements.

The financial statements of Zest Care Homes Limited, registered number 06315771 on pages 8 to 15 were approved by the Board of Directors on ~~26 June~~ 2016.

Signed on behalf of the Board of Directors



G K Sizer  
Director

# **Zest Care Homes Limited**

## **Notes to the financial statements for the year ended 30 September 2015**

### **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**

In previous years the company was party to an omnibus agreement with Ulster Bank to secure group borrowings. All external bank borrowings have been repaid during the financial year.

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

The group funds ongoing working capital requirements and interest payments through its cash balance and cash generated from trading.

The group and company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the group and company should be able to operate comfortably within the level of the new term loan facility.

On this basis the directors have a reasonable expectation that the group and company will be able to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual 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:

Fixtures and fittings	3 – 4 years
Motor Vehicles	4 years

#### **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.

# Zest Care Homes Limited

## Notes to the financial statements (continued) for the year ended 30 September 2015

### 1. Accounting policies (continued)

#### 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 is a wholly owned subsidiary of Zest Investment Group Limited in whose financial statements a consolidated cash flow statement has been prepared.

#### 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.

#### Asset Held for Sale

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

### 2. Employees

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

	2015 Number	2014 Number
Care staff	326	427
Management and administration	13	20
	<u>339</u>	<u>447</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	4,361,045	5,101,139
Social security costs	308,510	377,252
	<u>4,669,555</u>	<u>5,478,391</u>

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

# Zest Care Homes Limited

## Notes to the financial statements (continued) for the year ended 30 September 2015

### 3. Profit/(loss) on ordinary activities before taxation

	2015 £	2014 £
Profit/(loss) on ordinary activities before taxation is shown after charging		
<b>Depreciation of tangible assets:</b>		
Owned assets	243,165	309,328
<b>Auditor's remuneration:</b>		
- fees payable to company's auditor for the audit of the company's annual financial statements	3,000	2,000

Audit fees are paid by another group company. Fees payable to the company's auditor for non-audit services amounting to £1,400 have been paid by another group company.

### 4. Tax on profit on ordinary activities

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

	2015 £	2014 £
United Kingdom corporation tax on the loss for the period	-	-
Deferred tax:		
Timing differences, origination and reversal	(82,517)	(21,043)
Effect of changes in tax rates	2,007	1,911
Adjustment in respect of previous periods	-	19,132
	<u>(80,510)</u>	<u>-</u>
Total current tax	<u>(80,510)</u>	<u>-</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: 20.5% (2014: 22%).

# Zest Care Homes Limited

## Notes to the financial statements (continued) for the year ended 30 September 2015

### 4. Tax on profit on ordinary activities (continued)

The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	686,267	(1,038,997)
Tax at 20.5% (2014: 22%) thereon:	140,675	(228,551)
Expenses not deducted for tax purposes	1,903	2,674
Capital allowances in excess of depreciation	39,188	(14,747)
Tax losses not utilised	-	64,147
Group relief	(43,762)	176,477
Utilisation of tax losses	(141,631)	-
Movement in short term timing differences	3,627	-
Current tax charge for the year	-	-

### 5. Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 October 2014	857,696	91,590	949,286
Additions	89,797	1,300	91,097
Disposals	(102,610)	(5,750)	(108,360)
At 30 September 2015	844,883	87,140	932,023
Depreciation			
At 1 October 2014	439,624	16,825	456,449
Charge for the year	221,180	21,985	243,165
Disposals	(44,789)	(937)	(45,726)
	616,015	37,873	653,888
Net book value			
At 30 September 2015	228,868	49,267	278,135
At 30 September 2014	418,072	74,765	492,837

# Zest Care Homes Limited

## Notes to the financial statements (continued) for the year ended 30 September 2015

### 6. Debtors

	2015 £	2014 £
Trade debtors	158,634	210,173
Other debtors	173,633	-
Prepayments	111,501	51,663
	<u>443,768</u>	<u>261,836</u>

Other debtors relate in full to assets held for sale

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

	2015 £	2014 £
Bank overdraft (secured)	-	361
Trade creditors	200,844	175,373
Other creditors	70,175	207,319
Other taxes and social security costs	51,191	76,613
Accruals	231,197	191,880
Amounts owed to group undertakings	1,960,923	2,580,540
	<u>2,514,330</u>	<u>3,232,086</u>

### 8. Provisions for liabilities and charges

	Deferred tax £
At 1 October 2014	-
Profit and loss account credit (note 4)	(80,510)
At 30 September 2015	<u>(80,510)</u>

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

	2015 £	2014 £
Accelerated capital allowances	(76,971)	33,256
Losses	-	(59,038)
Short term timing differences	(3,539)	-
Deferred tax not provided	-	25,782
	<u>(80,510)</u>	<u>-</u>



# Zest Care Homes Limited

## Notes to the financial statements (continued) for the year ended 30 September 2015

### 9. Called-up share capital

	2015 £	2014 £
<i>Allotted, called-up and fully paid</i> 999 ordinary shares of £1 each	999	999

### 10. Reserves

	Profit and loss account £
At 1 October 2014	(2,475,170)
Profit for the financial year	766,777
At 30 September 2015	(1,708,393)

### 11. Reconciliation of movements in shareholders' deficit

	2015 £	2014 £
Profit/(loss) for the financial year	766,777	(1,038,997)
Opening shareholders' deficit	(2,474,171)	(1,435,174)
Closing shareholders' deficit	(1,707,394)	(2,474,171)

### 12. Commitments

Last year, the company was party to an omnibus guarantee in favour of Ulster Bank to secure group borrowings. The borrowings at 30 September 2014 were £7,810,136. All borrowings from Ulster Bank were repaid during the year.

### 13. 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. Included within Other creditors is a sum of £Nil (2014: £78,202) due to directors of the company. This relates to short term working capital funding provided during the previous financial year.

### 14. 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 and is the parent company of the largest and smallest group which includes the company. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Zest Investment Group Limited is jointly controlled by the directors who each control 50 per cent of the issued share capital of the company.