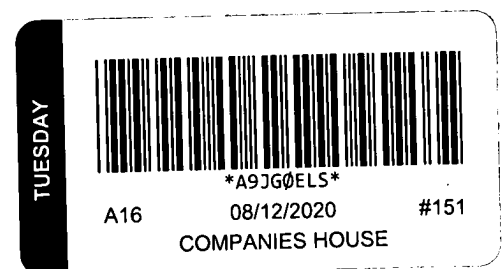


Zenith Vehicle Contracts Limited
Annual report and financial statements
For the year ended 31 March 2020

Registered number: 02267701



Zenith Vehicle Contracts Limited

Contents

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report to the members of Zenith Vehicle Contracts Limited	8
Profit and loss account	11
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

Zenith Vehicle Contracts Limited

Officers and professional advisers

Directors	T P Buchan R A Butler I R Gibson I M Hughes M Jenkins A Kirby M T Phillips
Company Secretary	M K Patel
Registered Office	Number One Great Exhibition Way Kirkstall Forge Leeds England LS5 3BF
Bankers	National Westminster Bank plc Bradford
Auditor	Deloitte LLP Statutory Auditor Leeds United Kingdom

Zenith Vehicle Contracts Limited

Strategic report

The directors present their strategic report on the private limited company for the year ended 31 March 2020.

Principal activity and business review

The principal activity of the Company is to provide vehicle management, leasing and finance services to the large corporate sector.

The Company is a trading company in the Group consolidated at Zenith Automotive Holdings Limited.

Statutory Profit before tax for the year was £19,275,000 (2019: £20,296,000). Operating profit for the year excluding exceptional items and depreciation on owned tangible fixed assets was £20,964,000 (2019: £21,703,000). This was a pleasing result for the Company to deliver in this challenging economic environment and is testament to the quality and resilience of the Company's underlying business model which has been nurtured and developed over the years.

During the year the Company has continued to enhance its reputation as a high quality service provider, which meets, in an innovative and imaginative way the requirements of the market and its customers in particular. Throughout the year the Company has demonstrated excellent customer retention and has recently secured a number of significant contracts. We are a very well-funded business, and further increased the pool of asset finance facilities available to us during the year. During the period the Company transferred cash to and received cash from fellow subsidiaries as part of the normal course of business where we look to manage the cash balances across the group. This has led to an increase in Amounts owed by/to subsidiary undertakings within notes 11 and 12.

Principal risks and uncertainties

Key risks in the business include the credit-worthiness of customers, residual value risk, taken when underwriting the value of the vehicles at the end of the leases, maintenance risk taken when underwriting maintenance contracts with customers and the conduct and regulatory risks associated with carrying out regulated activities.

We have a detailed rolling programme to review, document and regularly update the credit-worthiness of our customer base. The credit assessment team report directly into the directors and are independent of the commercial areas of our business.

We use sophisticated technology and risk management techniques to manage both residual value and maintenance risk. Our risk positions and exposures are constantly reassessed and adjusted accordingly and we have a high degree of visibility on our exposures in these key risk areas.

Policies and procedures have been implemented to ensure controls and processes are in place to manage conduct and regulatory risk, and to ensure compliance with the legislative and regulatory framework.

Risks arising from interest rate exposure are discussed as part of the next section on treasury management.

The entity is part of the overall management of the Group and the Group wide risks and uncertainties can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 18).

Treasury management

With respect to treasury management we look to remove as much risk as possible from the business with respect to interest rate exposure. All of our group contracts with customers are fixed interest rate contracts and all of the matching asset finance used to fund these contracts is taken on a fixed interest basis or swapped into fixed interest at the point of funding.

Zenith Vehicle Contracts Limited

Strategic report (continued)

Key performance indicators

The directors use a series of Key Performance Indicators (“KPIs”) to monitor the development and efficiency of the business. One of our most important KPIs is our measurement of customer satisfaction. The Company uses state of the art, award winning software to critically assess customer satisfaction indices. Other KPIs include the measurements of the balance of risk in the business between various income streams, productivity statistics which are measured by the number of vehicles which we manage per head, sales performance of our remarketing teams benchmarked against industry statistics and average invoice costs processed through our maintenance operations. The performance of the Company against these KPIs is in line with our budget but are not specifically disclosed due to their sensitive nature.

Going Concern

The Company makes use of bank facilities agreed on a Zenith Automotive Holdings Limited group wide basis. On 31 March 2017 the Group secured new bank loan facilities which settle on 31 March 2024 and settled its existing bank loan facilities. Following the refinancing, the Company has access to considerable financial resources to manage its operations. The Company is in a net asset position. The directors note that the Company is cash generative and have reviewed the forecasts which cover a period exceeding 12 months from the date of signature of the financial statements.

On 23 March 2020 a lockdown was imposed in the UK, banning all non-essential travel and closing all but non-essential businesses, including the closure of car showrooms and auction houses due to the COVID-19 pandemic.

The professional and diligent approach of our managers across a period of years has resulted in excellent and robust Business Continuity Plans. This has helped us to enable our workforce to work efficiently from home during this period, keeping our employees safe whilst also providing a seamlessly high level of service to our customers. This has also enabled us to maintain a similar control environment to that which would have applied in the office.

Due to the nature of our group wide business model, which is predominately long-term leases of between three to five years to large corporate customers, the degree of visibility over expected earnings and profitability is high. As a result, Zenith is well positioned to navigate this intense period of disruption caused by the COVID-19 pandemic. The financial modelling we have performed shows that we continue to trade cash positive as a result of our business model, long-term income streams and additional procedures we have put in place. These include close monitoring of customer credit risk, daily monitoring of residual values and a review of our supply chain for increased risk of failure. We have continued to keep our scenario model refreshed, as well as monitoring our results closely which show that our experience of payment holidays, vehicle sale volumes and profits continue to perform within our expected range. More details can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 18).

The scale of the Group can withstand these short-term challenges particularly our wide HGV to car and corporate to consumer propositions enabling us to be agile, spot changes in the market and adapt our strategy if required. We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements. On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing this report. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Zenith Vehicle Contracts Limited

Strategic report (continued)

Section 172(1)

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As a service-centric business our customers are at the centre of our decisions. Our customers expect a best-in-class service from us which we aim to deliver, with dedicated contacts for our commercial fleets and a business structured around our services, we can meet our customer needs, be that at a fleet manager level or an individual driver.

To deliver our excellent service levels, the company relies on its dedicated team of employees. Our colleagues value roles in which they can learn and develop, a competitive benefits package, as well as a diverse, inclusive and safe environment in which to work. We engage with our employees across a number of platforms, be that directly with their managers and/or HR or via annual pulse checks with our employee survey. Employee engagement in the performance of the business is encouraged through the employee share scheme.

A high-quality product is desired from our suppliers to match our service. Our key suppliers range across car dealerships, vehicle and parts manufacturers, short-term rental providers, garages and vehicle recovery providers. By working closely with our suppliers, with direct engagement through our specialist relationship teams, we ensure our high service levels are maintained whilst charging a fair price to our customers, working together with our suppliers as trusted partners to achieve mutual success.

Working in the fleet industry we aim to keep our communities mobile and safe. A decision was made by the Board to set a new target to transition 100% of our own fleet to electric vehicles by 2025. Further information on our interactions in our communities and environment can be found within the Corporate Social Responsibility section of the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 18).

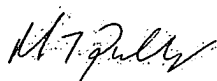
Our funders are updated on our financial performance through weekly and monthly reports. When making credit risk decisions in the business, both at the approval stage of a contract and during the life we take a composed approach balancing the risk with the requirements of the customer.

Our owners desire a growth in our business to enable returns on their investment. Our vision and strategic priorities are set to enable us to achieve our growth requirements whilst balancing this with the requirements of our other key stakeholders.

Future developments

Zenith Vehicle Contracts Limited is part of the Zenith Automotive Holdings Limited group. The Group's strategy to enter adjacent heavy commercial vehicle and consumer markets puts the Group in a strong position to grow the business from city cars to heavy commercial vehicles across corporate and consumer markets. This presents a number of exciting opportunities for Zenith Vehicle Contracts Limited.

Approved by the Board and signed on its behalf by:



M T Phillips
Director
30 July 2020

Zenith Vehicle Contracts Limited

Directors' report

The directors present their annual report together with the audited financial statements and auditor's report, for the year ended 31 March 2020.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year and these remain in force at the date of this report.

Results and dividends

For discussion on the Company results for the year please refer to the Business Review in the strategic report. No dividends were declared or paid on equity shares during the year or prior year.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are discussed in the strategic report.

Going concern

The directors set out in the Strategic Report the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the Company.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Post balance sheet events

All the trading activities of the Company are in the UK. We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements, nor any material impacts on the business, subsequent to the balance sheet date. There are no other post balance sheet events to report.

Directors

The directors, who served throughout the year and to the date of this report were as follows:

M T Phillips

T P Buchan

I M Hughes

M Connor (Resigned 30 June 2019)

R A Butler

M Jenkins (Appointed 1 April 2020)

A Kirby

I R Gibson

M K Patel (Company Secretary) (Appointed 1 April 2020)

P J Rawnsley (Company Secretary) (Resigned 25 November 2019)

Future developments

The future developments of the Company are discussed in the strategic report.

Charitable and political contributions

During the year the Company made charitable donations of £5,425 (2019: £11,470), principally to local charities serving the communities in which the Company operates. There were no political contributions in the current year (2019: £nil).

Employees and training

Much of the Company's success can be attributed to its policy of progressive training and development of employees. The growing expertise and confidence of its employees has enabled the Company to deliver sophisticated products to its customer base in a very professional manner. The directors are thankful to all employees for the way in which they continually meet the demands made of them.

Zenith Vehicle Contracts Limited

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception and is open to all employees who have served a pre-defined time requirement with the Company. In addition, all employees are eligible to receive an annual bonus related to the overall profitability of the Group.

Statement on business relationships

The business relationships of the Company are discussed in the S172(1) section of the strategic report.

Auditor

Each of the persons who is a director at the date of approval 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors propose that Deloitte LLP are re-appointed as the Company's auditors.

Approved by the Board and signed on its behalf by:



M T Phillips
Director
30 July 2020

Zenith Vehicle Contracts 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 "The 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 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 Zenith Vehicle Contracts Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Zenith Vehicle Contracts Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit 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 profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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 Company 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 ('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 Company'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.

Independent auditor's report to the members of Zenith Vehicle Contracts Limited (continued)

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. 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 Company'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 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.

Independent auditor's report to the members of Zenith Vehicle Contracts Limited (continued)

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 Company and its 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

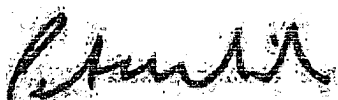
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

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.



Peter Birch FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
30 July 2020

Zenith Vehicle Contracts Limited

Profit and loss account

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Turnover	3	212,715	192,346
Cost of sales		(171,344)	(152,351)
Gross profit		41,371	39,995
Operating expenses		(24,319)	(21,625)
Operating profit before depreciation of tangible fixed assets and exceptional items		20,964	21,703
Depreciation of owned tangible fixed assets	9	(3,912)	(2,939)
Operating exceptional items	6	-	(394)
Operating profit	6	17,052	18,370
Interest receivable and similar income	4	7,240	4,491
Interest payable and similar expenses	5	(5,017)	(2,565)
Profit before taxation		19,275	20,296
Tax charge on profit	8	(1,147)	(3,259)
Profit for the financial year attributable to equity shareholders of the Company		18,128	17,037

All results derive from continuing operations.

The accompanying notes 1 to 19 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for the financial year		18,128	17,037
Hedge losses arising during year	15	(1,675)	(1,083)
Deferred tax credit on hedge losses	14	330	184
Total comprehensive income attributable to equity holders of the Company		16,783	16,138

The accompanying notes 1 to 19 are an integral part of these financial statements.

Zenith Vehicle Contracts Limited

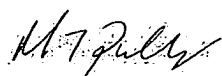
Balance sheet

As at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Fixed assets			
Tangible assets	9	34,356	32,399
Investments	10	2	2
		<u>34,358</u>	<u>32,401</u>
Current assets			
Debtors			
- due within one year	11	295,485	204,012
- due after one year	11	74,131	100,231
Cash at Bank and in Hand		1,624	128
		<u>371,240</u>	<u>304,371</u>
Creditors: Amounts falling due within one year	12	<u>(253,779)</u>	<u>(193,591)</u>
Net current assets		<u>117,461</u>	<u>110,780</u>
Total assets less current liabilities		151,819	143,181
Creditors: Amounts falling due after more than one year	13	(83,106)	(91,281)
Provisions for liabilities	14	(11,982)	(11,952)
Net assets		<u>56,731</u>	<u>39,948</u>
Capital and reserves			
Called up share capital	15	142	142
Share premium account	15	429	429
Capital redemption reserve	15	40	40
Hedging reserve	15	(1,823)	(478)
Profit and loss account		57,943	39,815
		<u>56,731</u>	<u>39,948</u>
Shareholders' funds		<u>56,731</u>	<u>39,948</u>

The accompanying notes 1 to 19 are an integral part of these financial statements.

The financial statements of Zenith Vehicle Contracts Limited (registered number 02267701) were approved by the Board of Directors and authorised for issue on 30 July 2020.



M T Phillips
Director

Zenith Vehicle Contracts Limited
Statement of changes in equity
For the year ended 31 March 2020

	Called up Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Total £'000
At 1 April 2018	142	429	40	22,778	421	23,810
Profit for the financial year	-	-	-	17,037	-	17,037
Hedges of variable interest rate risk	-	-	-	-	(1,083)	(1,083)
Deferred tax credit on hedges (note 15)	-	-	-	-	184	184
At 31 March 2019	142	429	40	39,815	(478)	39,948
Profit for the financial year	-	-	-	18,128	-	18,128
Hedges of variable interest rate risk (note 16)	-	-	-	-	(1,675)	(1,675)
Deferred tax credit on hedges (note 15)	-	-	-	-	330	330
At 31 March 2020	142	429	40	57,943	(1,823)	56,731

Hedging reserve:

Movements in the hedging reserve reflect the change in the fair value of derivative financial instruments designated into hedge accounting relationships in accordance with IFRS 9. The derivatives are originally recognised on the balance sheet at fair value, with fair value gains or losses relating to future periods being recognised in other comprehensive income and therefore outside of the profit and loss statement.

The accompanying notes 1 to 19 are an integral part of these financial statements.

Zenith Vehicle Contracts Limited

Notes to the financial statements

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

a. General information and basis of accounting

Zenith Vehicle Contracts Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activity are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Zenith Vehicle Contracts Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Zenith Vehicle Contracts Limited 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. Zenith Vehicle Contracts Limited is consolidated in the financial statements of its parent, Zenith Automotive Holdings Limited, which may be obtained from the address in note 18. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related party transactions. The Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006

The Group headed by parent undertaking Zenith Automotive Holdings Limited, of which this Company is a subsidiary has elected adopt the classification and measurement criteria for financial instruments and hedge accounting under IFRS 9. The Company qualifies to apply Hedge Accounting to its financial instruments which are in place to hedge against interest rate risk on senior and securitised debt facilities. As a consequence, derivatives are recognised on the balance sheet at fair value, with fair value gains or losses relating to future periods being held within the statement of comprehensive income, and therefore outside of the profit and loss statement.

The Group has chosen to early adopt the Interest Benchmark Reform (amendments to IFRS 9) which was issued by the International Accounting Standards Board in September 2019 and is mandatorily effective from periods starting 1 January 2020. These amendments have modified certain hedge accounting requirements to allow continued designation for affected hedge relationships during the period of uncertainty as benchmark interest rates are amended or replaced. The Company is exposed to LIBOR interest rate benchmarks within its hedge accounting relationships, which fall within these amendments and therefore these items continue to be designated in the hedge relationship.

This change in accounting policy has not had any impact on the financial statements.

For the Company's floating rate debt, the Company has started discussions with our funders to amend the LIBOR swaps so that the reference benchmark interest rate will change to SONIA. The Company aims to finalise this amendment in the second half of 2020.

The Company's current reporting period is 12 months to 31 March 2020.

b. Going concern

The Directors have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Company's ability to continue as a going concern for at least 12 months from the date of signing this report. In forming this view the Directors have considered the Company's budgets and trading forecasts and the committed bank facilities available to the Group together with forecast headroom against those borrowing facilities, including the impact of reasonable sensitivities and all foreseeable uncertainties.

On 23 March 2020 a lockdown was imposed in the UK, banning all non-essential travel and closing all but non-essential businesses, including the closure of car showrooms and auction houses due to the COVID-19 pandemic.

The professional and diligent approach of our managers across a period of years has resulted in excellent and robust Business Continuity Plans. This has helped us to enable our workforce to work efficiently from home during this period, keeping our employees safe whilst also providing a seamlessly high level of service to our customers. This has also enabled us to maintain a similar control environment to that which would have applied in the office.

Zenith Vehicle Contracts Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

b. Going concern (continued)

Due to the nature of our group wide business model, which is predominately long-term leases of between three to five years to large corporate customers, the degree of visibility over expected earnings and profitability is high. As a result, Zenith is well positioned to navigate this intense period of disruption caused by the COVID-19 pandemic. The financial modelling we have performed shows that we continue to trade cash positive as a result of our business model, long-term income streams and additional procedures we have put in place. These include close monitoring of customer credit risk, daily monitoring of residual values and a review of our supply chain for increased risk of failure. We have continued to keep our scenario model refreshed, as well as monitoring our results closely which show that our experience of payment holidays, vehicle sale volumes and profits continue to perform within our expected range. More details can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 18).

The scale of the Group can withstand these short-term challenges particularly our wide HGV to car and corporate to consumer propositions enabling us to be agile, spot changes in the market and adapt our strategy if required. We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

c. Vehicle leases

The obligations for vehicles acquired under finance leases and hire purchase contracts are categorised as creditors due within or after one year as appropriate. Vehicles leased to customers under finance leases and hire purchase contracts are reported as debtors and are stated at the value of the minimum rentals receivable less the finance charges allocated to future periods.

Vehicles leased to customers under operating leases, other than those funded through securitisation, are reported as tangible fixed assets. They are stated at their fair value at acquisition less depreciation which is recognised on a straight line basis. Vehicles leased to customers under operating leases which are funded through securitisation, are reported as debtors and are stated at the value of the minimum rentals receivable less the finance charges allocated to future periods.

Lease rentals under finance lease and hire purchase contracts, and operating leases which are funded via securitisation, is split between repayments of capital and interest, with interest calculated using an effective interest rate methodology. Rental income under contract hire operating leases is recognised on a straight line basis over the period of the contract.

Provision is made, over the remaining lease term or immediately on loss making contracts, for any anticipated shortfall between the resale price of vehicles at the end of their contracts and the residual values set against the vehicles when writing contracts with customers on a portfolio basis.

d. Turnover

Turnover arises entirely from sales to UK customers and is generated from the Company's principal business activity. It is stated net of VAT and the recognition policies within the single class of business are as follows:

Revenue type	Recognition policies
Interest from finance leases and hire purchase contracts	See vehicle leases
Contract hire rental income	See vehicle leases
Fleet management and outsourcing fees	On a straight line basis over period of contract
Vehicle sales	On despatch
Early termination, excess mileage and servicing charges	Upon termination of the contract
Servicing, maintenance and road fund licence income	On a straight line basis over period of contract
Vehicle purchase incentives	On a straight line basis over period of lease
Agency rentals	On a straight line basis over period of contract

Zenith Vehicle Contracts Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

e. Tangible fixed assets

Fixed assets are shown at historical cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life or period of the lease. Vehicles leased to customers on operating leases are depreciated over the period of the lease using straight line depreciation. These assets are held for lease terms which represent a significant portion of the useful economic life of each asset. Further, at any point in time during the lease, the net present value of cash inflows (including if appropriate the payment by customers of early termination penalties), together with the estimated net realisable value of the asset at the end of the lease, are not less than the carrying value of the asset.

Depreciation is provided on other assets as follows:

Equipment, fixtures and fittings	20% per annum - reducing balance
Computer hardware	25% per annum - straight line
Computer software	20% per annum - straight line

f. Agency agreements

Agency agreements are accounted for in line with the substance of the agreement. Where the principal risks and rewards are attributable to the Company, the gross revenues and costs are recognised over the period of the contract. Gross receivables and payables from the ultimate customer and to the principal supplier are not recognised in the balance sheet as the Company has no access to the risks and rewards of these items. The committed cost of vehicles subject to repurchase agreements are recognised in debtors and creditors in line with their buyback commitments. Provision is made for any residual value exposure on a portfolio basis.

g. Provision for maintenance costs

Provision is made for obligations under maintenance contracts so as to provide a constant rate of return on maintenance contract revenue. The amount recognised as a provision is the best estimate of consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

h. Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial asset and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification of financial asset

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of debt instrument on initial recognition.

Zenith Vehicle Contracts Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principle repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in the profit or loss and is included in the “Interest receivable and similar income” line item.

Impairment of financial assets

The Company always recognises lifetime expected credit loss for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Intercompany receivables are repayable on demand. Expected credit losses are calculated based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower cannot pay today if demanded, the assessment of impairment will consider the expected manner of recovery and recovery period of the intercompany loan.

Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 90 days 30% of the balance, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity.

Zenith Vehicle Contracts Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of the financial liability.

Hedge accounting

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The fair value movements on the derivatives are expected to occur and are recognised in comprehensive income over the period to maturity of the interest rate swaps.

i. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j. Employee benefits

The Company participates in a defined contribution scheme. The amounts charged to the profit and loss account in respect of pension costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

k. Dividend and interest income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

l. Exceptional items

Exceptional items are those which reflect costs that do not relate to the Company's normal business operations and which in Management's judgement are considered material individually or in aggregate (if of a similar type) due to their size or frequency. Separate disclosure enables a better understanding of the Company's financial performance.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, 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. Actual results may differ from these estimates.

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.

Critical judgements in applying the Company's accounting policies

The directors consider there to be no critical judgments noted in applying the Company's accounting policies.

Key source of estimation uncertainty

Residual Values

The Company reviews the residual values of its leased assets on an ongoing basis with reference to independent market data and prevailing economic conditions. We use sophisticated technology and risk management techniques to manage residual value risk positions and exposures are constantly reassessed and adjusted accordingly. As such, residual values held in the financial statements of this company are believed to be redeemable and free from impairment.

Maintenance Provision

The Company regularly reviews its provisioning for future maintenance costs. The amount recognised as a provision is the best estimate of consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Extensive analysis is undertaken regularly based on a substantial amount of historic data to ensure the provisioning level is both appropriate, and consistent with previous years.

We use sophisticated technology and risk management techniques to manage maintenance risk and our risk positions and exposures are constantly reassessed and adjusted accordingly. As such provisions in the balance sheet in place to cover expected future expenditure on maintenance contracts are believed to be adequate but not excessive.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

3. TURNOVER

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Long term leases	136,340	141,225
Vehicle sales	57,190	30,349
Other*	19,185	20,772
	<u>212,715</u>	<u>192,346</u>

*Other turnover includes fleet management and outsource fees, daily rental and other miscellaneous income.

All turnover is derived in the UK

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Intercompany interest receivable	7,210	4,464
Bank interest receivable	30	27
	<u>7,240</u>	<u>4,491</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest payable on intercompany loans	3,450	1,096
Interest on bank loans and overdrafts	1,567	1,469
	<u>5,017</u>	<u>2,565</u>

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest on finance leases and hire purchase contracts included within cost of sales*	221	177
	<u>221</u>	<u>177</u>

* Interest is included in cost of sales rather than interest payable as it relates to leases where the Company is the lessee and is therefore a trading rather than financing transaction.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

6. OPERATING PROFIT

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
Owned	3,912	2,939
Held under finance leases and hire purchase contracts	5,453	4,520
Impairment of trade receivables	(75)	329
Exceptional items		
Integration of acquisitions*	-	394

* The integration costs relate to the costs of integrating Contracts Vehicle Limited into the Zenith Automotive Holdings Limited group.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>38</u>	<u>31</u>

7. STAFF COSTS

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Office, sales and management staff	<u>396</u>	<u>420</u>

Their aggregate remuneration comprised:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries	15,050	13,859
Social security costs	1,391	1,572
Other pension costs	738	755
Recharged to other group companies*	(3,205)	(4,366)
	<u>13,974</u>	<u>11,820</u>

*The directors judge that employees of Zenith Vehicle Contracts Limited undertake considerable work on behalf of other group companies. As such, employment costs are recharged to those companies on the basis of relative turnover as this best reflects time spent on the vehicle fleet.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

7. STAFF COSTS (continued)

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<i>Directors remuneration</i>		
Emoluments	1,233	1,303
Contributions to money purchase pension schemes	42	47
	<u>1,275</u>	<u>1,350</u>
	<u><u>1,275</u></u>	<u><u>1,350</u></u>
	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
<i>The number of directors who</i> Are members of the money purchase pension scheme	5	7
	<u>5</u>	<u>7</u>
	<u><u>5</u></u>	<u><u>7</u></u>
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<i>Remuneration of the highest paid director</i>		
Emoluments	279	267
	<u>279</u>	<u>267</u>
	<u><u>279</u></u>	<u><u>267</u></u>

8. TAX ON PROFIT

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
The tax charge comprises:		
Current tax		
UK Corporation tax	1,942	1,790
Adjustments in respect of prior years*	(231)	1,500
Total current tax	<u>1,711</u>	<u>3,290</u>
Deferred tax		
Current year	(584)	(81)
Adjustments in respect of prior years	(66)	41
Effect of changes in tax rates	86	9
Total deferred tax	<u>(564)</u>	<u>(31)</u>
Total tax on profit	<u><u>1,147</u></u>	<u><u>3,259</u></u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)

For the year ended 31 March 2020

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of tax applied to reported loss is 19% (2019: 19%). Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment occurred on 17 March 2020 i.e. before the balance sheet date, deferred tax balances as at 31 March 2020 have been measured at a rate of 19%.

Factors Affecting Total Tax Charge for the Current Period

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before tax	19,275	20,296
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	3,662	3,856
Effects of:		
Permanent differences		
Expenses not deductible	14	188
Tax rate changes	86	9
Group relief received free of charge	(2,317)	(2,336)
Adjustments to tax charge in respect of previous years*	(298)	1,542
Total tax charge for the year	1,147	3,259

*Adjustments relate to changes to interest deductions and group relief on completion of the group ATCA agreement with HMRC.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

9. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Equipment, fixtures and fittings* £'000	Vehicles leased to customers £'000	Total £'000
Cost			
At 1 April 2019	24,823	24,655	49,478
Additions	3,102	35,458	38,560
Disposals	(82)	(33,990)	(34,072)
At 31 March 2020	<u>27,843</u>	<u>26,123</u>	<u>53,966</u>
Accumulated depreciation			
At 1 April 2019	10,833	6,246	17,079
Charge for the year	3,912	5,453	9,365
Disposals	-	(6,834)	(6,834)
At 31 March 2020	<u>14,745</u>	<u>4,865</u>	<u>19,610</u>
Net book value			
31 March 2019	<u>13,990</u>	<u>18,409</u>	<u>32,399</u>
31 March 2020	<u>13,098</u>	<u>21,258</u>	<u>34,356</u>

* Includes IT hardware, software and all items of other fixtures and fittings none of which are sufficiently material to be disclosed separately.

Vehicles acquired for leasing under finance leases, hire purchase contracts and under the securitisation agreement have been recorded as debtors rather than as fixed assets of the Company as the risks and rewards of ownership are not judged to sit with the Company. The net book value of vehicles subject to such leases amounted to £102,282,000 (2019: £111,351,000).

Tangible fixed assets of the Company include vehicles held under operating leases .

Future minimum lease payments receivable under non-cancellable operating leases captured as fixed assets are summarised as below:

	31 March 2020 £'000	31 March 2019 £'000
Within one year	2,488	632
Within two to five years	3,163	363
	<u>5,651</u>	<u>995</u>

No contingent rentals have been included as income.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

10. FIXED ASSET INVESTMENTS

	2020 £'000
Cost	
At 1 April 2019	71
At 31 March 2020	<u>71</u>
Accumulated Impairment	
At 1 April 2019	69
Impairment loss	-
At 31 March 2020	<u>69</u>
Net book value	
At 31 March 2019	<u>2</u>
At 31 March 2020	<u><u>2</u></u>

At 31 March 2020 the Company held, directly and indirectly, 100% of the allotted ordinary share capital of the following:

	Class of shares held	Principal activity	Percentage of shares held
Zenith EF Limited	Ordinary	Vehicle leasing and related activities	100%

11. DEBTORS

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year:		
Trade debtors	22,043	18,000
Amounts receivable under hire purchase contracts	79	210
Amounts receivable under securitised contracts	62,715	45,029
Vehicles subject to repurchase agreements	12,430	10,309
Amounts owed by subsidiary undertaking	188,741	123,990
Corporation tax	1,990	-
Deferred tax	191	-
Other debtors	1,827	1,082
Prepayments and accrued income	5,469	5,392
	<u>295,485</u>	<u>204,012</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)

For the year ended 31 March 2020

11. DEBTORS (continued)	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due after more than one year:		
Prepayments and accrued income	2,783	3,141
Amounts receivable under securitised contracts	39,566	66,322
Amounts receivable under hire purchase contracts	654	654
Vehicles subject to repurchase agreements	31,128	30,114
	<u>74,131</u>	<u>100,231</u>
	<u>369,616</u>	<u>304,243</u>

All the Company's trade debtors have been reviewed for impairment and where necessary a provision for impairment provided. The value of the impairment (credited)/charged to the income statement is (£75,000) (2019: £329,000)

Amounts owed by group undertakings are unsecured, repayable on demand and charged at a commercial rate of interest.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2020 £'000	31 March 2019 £'000
Bank loans and overdrafts	-	3,175
Obligations under finance leases and hire purchase contracts	13,450	15,096
Amounts owed to group undertakings (securitised contracts)*	59,836	60,139
Vehicles subject to repurchase agreements	12,430	10,309
Trade creditors	15,311	7,786
Amounts owed to group undertakings	128,471	73,842
Other creditors:		
VAT	6,971	4,140
Corporation tax	-	167
Social security and PAYE	1,052	957
Other	7,993	8,082
Fair value of hedging instruments	2,251	576
Accruals and deferred income	6,014	9,322
	<u>253,779</u>	<u>193,591</u>

* Current accounting standards require the Group to consolidate Bifurcate Funding Limited (company number 07515574) into the group results. As a result of this, securitised funding creditor balances owed to Bifurcate Funding Limited are classed as intercompany creditors. The amounts owed to Bifurcate Funding Limited are secured, charged at a commercial rate of interest and are repayable in line with the profile of the associated receivables from customers.

Amounts owed to group undertakings (excluding obligations under securitised contracts) are unsecured, repayable on demand and charged at a commercial rate of interest.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2020

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2020 £'000	31 March 2019 £'000
Obligations under finance leases and hire purchase contracts	6,033	4,085
Amounts owed to group undertakings (securitised contracts)*	45,945	57,082
Vehicles subject to repurchase agreements (payable within two to five years)	31,128	30,114
	<u>83,106</u>	<u>91,281</u>

* Current accounting standards require the Group to consolidate Bifurcate Funding Limited (company number 07515574) into the group results. As a result of this, securitised funding creditor balances owed to Bifurcate Funding Limited are classed as intercompany creditors.

The Company has granted a fixed charge over certain lease agreements with customers to secure their obligations to finance houses amounting to £19,483,000 (2019: £19,181,000).

Obligations under finance leases and hire purchase contracts are repayable as follows:

	31 March 2020 £'000	31 March 2019 £'000
Amounts payable:		
Within one year	13,450	15,096
Within two to five years	6,033	4,085
	<u>19,483</u>	<u>19,181</u>

Obligations under securitised contracts are repayable as follows:

	31 March 2020 £'000	31 March 2019 £'000
Amounts payable:		
Within one year	59,836	60,139
Within two to five years	45,945	57,082
	<u>105,781</u>	<u>117,221</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)

For the year ended 31 March 2020

14. PROVISIONS FOR LIABILITIES

	31 March 2020 £'000	31 March 2019 £'000
Deferred taxation	-	703
Provision for maintenance costs	11,982	11,249
	<u>11,982</u>	<u>11,952</u>
Deferred taxation is attributable to:		
Excess of capital allowances over depreciation of fixed assets	302	801
Short-term timing differences	(493)	(98)
	<u>(191)</u>	<u>703</u>

The movement in deferred taxation in the year was as follows:

	31 March 2020 £'000	31 March 2019 £'000
Beginning of year	703	919
Depreciation in excess of capital allowances for the year	(584)	(81)
Adjustment in respect of prior years	(66)	41
Deferred tax charge to reserves	(330)	(184)
Rate change	86	8
End of year	<u>(191)</u>	<u>703</u>

The movement in the provision for maintenance costs is as follows:

	31 March 2020 £'000	31 March 2019 £'000
Beginning of year	11,249	14,807
Charged to profit and loss account	26,423	21,277
Utilisation of provision	(25,690)	(24,835)
End of year	<u>11,982</u>	<u>11,249</u>

The provision for maintenance costs relates to obligations under maintenance contracts in existence at the balance sheet date. The expenditure will be incurred over the period of these contracts which will be completed over the next one to four years. The provision at the balance sheet date represents the difference between amounts collected on the maintained contracts and the costs incurred to date. The maintenance rentals received are charged to the profit and loss account when received. The provision is utilised for any costs incurred in maintaining the vehicles. See note 2 for more information.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)

For the year ended 31 March 2020

15. SHAREHOLDER FUNDS

	31 March 2020 £'000	31 March 2019 £'000
Allotted, called up and fully paid		
2,599,037 ordinary shares of 5p each	130	130
244,731 B ordinary shares of 5p each	12	12
	<u>142</u>	<u>142</u>

The ordinary and B ordinary shares rank pari passu in all respects.

The motive and purpose of each reserve within equity is as follows:

Reserve	Description and purpose
Profit and Loss Account statement	Cumulative net gains and losses from recognised earnings in the income statement
Capital redemption reserve	Non-distributable reserve into which amounts are transferred following the redemption or purchase of a Company's own shares
Hedging reserve	Cumulative net gains and losses from highly effective hedging instrument derivative movements recognised initially in the statement of total comprehensive income before being recycled into the Profit and loss account when the hedging instrument matures.

16. RELATED PARTY TRANSACTIONS

As a subsidiary company of undertaking Zenith Automotive Holdings Limited, the Company has taken advantage of the exemptions in Section 33 "Related Party Transactions" from disclosing transactions with other wholly owned companies.

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

At the end of the year the Company had contracted capital commitments of £107,559,586 (2019: £70,409,801) relating to the purchase of vehicles for leasing to its customers.

b) Contingent liabilities

The Group's banking facilities are subject to a standard cross guarantee with other group subsidiaries. At 31 March 2020 the amount secured under this guarantee was £nil (2019: £12,467,412).

c) Pension arrangements

The Company makes contributions to various money purchase schemes on behalf of certain employees. The cost charged in the profit and loss account during the year was £738,323 (2019: £755,251). An amount of £205,721 relating to pension costs remained unpaid as at 31 March 2020 (2019: £154,928).

Zenith Vehicle Contracts Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2020, the largest and smallest group in which the results of the Company were consolidated is the ultimate parent company, Zenith Automotive Holdings Limited, incorporated in England and Wales. The consolidated financial statements can be obtained from their registered office at Number One, Great Exhibition Way, Kirkstall Forge, Leeds, LS5 3BF.

According to the register of members maintained by Zenith Automotive Holdings Limited, a number of limited partnerships comprising the Bridgepoint Europe V Fund, which are managed by Bridgepoint Advisers Limited, and hold securities through a nominee company, BEV Nominees Limited, held a significant interest in the ordinary shares of the Company at the balance sheet date and continue to do so at the date of this report. The directors of Zenith Automotive Holdings Limited deem there not to be an ultimate controlling party as none of the investors in the Bridgepoint Europe V Fund has an effective ownership of more than 20% of the issued share capital of the Company.

19. POST BALANCE SHEET EVENTS

We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements, nor any material impacts on the business, subsequent to the balance sheet date. There are no other post balance sheet events to report.