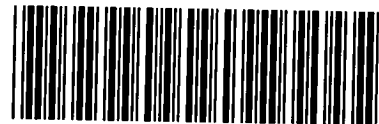


Zenith Vehicle Contracts Limited
Annual report and financial statements
For the year ended 31 March 2019

Registered number: 02267701

TUESDAY



A8HLLXA2

A12

05/11/2019

#16

COMPANIES HOUSE

Zenith Vehicle Contracts Limited

Contents

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report to the members of Zenith Vehicle Contracts Limited	7
Profit and loss account	10
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Zenith Vehicle Contracts Limited

Officers and professional advisers

Directors	T P Buchan R A Butler I R Gibson I M Hughes A Kirby M T Phillips
Company Secretary	P J Rawnsley
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 2019.

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 £20,296,000 (2018: £10,866,000). Operating profit for the year excluding exceptional items and depreciation on owned tangible fixed assets was £21,703,000 (2018: £20,287,000). 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 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 subsidiary undertakings within note 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.

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 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.

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 Group 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 Group against these KPIs is in line with our budget but are not specifically disclosed due to their sensitive nature.

Zenith Vehicle Contracts Limited

Strategic report (continued)

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. The cash balance has fallen during the year as we manage the cash position on a group basis and do not hold targets at an individual company level. Brexit uncertainty has led to customer caution and a lack of visibility of government policy, particularly regarding benefit in kind rates on company cars. The scale of the Group can withstand these short-term challenges particularly our wide truck to car and corporate to consumer propositions enabling us to be agile, spot changes in the market and adapt our strategy if required. 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.

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
31 July 2019

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 2019.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and 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

There are no 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
A Kirby
I R Gibson
P J Rawnsley (Company Secretary)

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 £11,470 (2018: £5,145), principally to local charities serving the communities in which the Company operates. There were no political contributions in the current year (2018: £nil).

Employees and training

Much of the Group'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 Group 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 Group 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.

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
31 July 2019

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 2019 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
31 July 2019

Zenith Vehicle Contracts Limited

Profit and loss account

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £'000	Restated Year ended 31 March 2018 £'000
Turnover	3	192,346	196,746
Cost of sales		<u>(152,351)</u>	<u>(159,753)</u>
Gross profit		39,995	36,993
Operating expenses		<u>(21,625)</u>	<u>(26,478)</u>
Operating profit before depreciation of tangible fixed assets and exceptional items*		21,703	22,464
Depreciation of owned tangible fixed assets	10	(2,939)	(2,177)
Operating exceptional items	6	(394)	(9,772)
Operating profit	6	18,370	10,515
Interest receivable and similar income	4	4,491	3,051
Interest payable and similar charges	5	<u>(2,565)</u>	<u>(2,700)</u>
Profit before taxation		20,296	10,866
Tax (charge) / credit on profit	8	<u>(3,259)</u>	<u>2,891</u>
Profit for the financial year		<u>17,037</u>	<u>13,757</u>

All results derive from continuing operations.

* This measure has been changed since the prior year to also exclude depreciation of tangible fixed assets to align it to the KPI in the strategic report and ensure consistency with how we manage the business

Statement of comprehensive income

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Profit for the financial year		17,037	13,757
Hedge (losses) / gains arising during year	16	(1,083)	2,053
Deferred tax credit / (charge) on hedge gains/(losses)	15	184	(349)
Total comprehensive income attributable to equity holders of the company		<u>16,138</u>	<u>15,461</u>

Zenith Vehicle Contracts Limited
Balance sheet
As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Fixed assets			
Tangible assets	10	32,399	28,925
Investments	11	2	2
		<u>32,401</u>	<u>28,927</u>
Current assets			
Debtors			
- due within one year	12	204,012	173,596
- due after one year	12	100,231	95,991
Cash at Bank and in Hand		128	13,512
		<u>(193,591)</u>	<u>(167,542)</u>
Creditors: Amounts falling due within one year	13		
		<u>110,780</u>	<u>115,557</u>
Net current assets			
		<u>143,181</u>	<u>144,484</u>
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	14	(91,281)	(104,948)
		<u>(11,952)</u>	<u>(15,726)</u>
Provisions for liabilities	15		
		<u>39,948</u>	<u>23,810</u>
Net assets			
		<u><u>39,948</u></u>	<u><u>23,810</u></u>
Capital and reserves			
Called up share capital	16	142	142
Share premium account	16	429	429
Capital redemption reserve	16	40	40
Hedging reserve	16	(478)	421
Profit and loss account		39,815	22,778
		<u>39,815</u>	<u>22,778</u>
Shareholders' funds		<u><u>39,948</u></u>	<u><u>23,810</u></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 31 July 2019.



M T Phillips
Director

Zenith Vehicle Contracts Limited
Statement of changes in equity
As at 31 March 2019

	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 2017	142	429	40	9,021	(1,283)	8,349
Profit for the financial year	-	-	-	13,757	-	13,757
Total Comprehensive Income	142	429	40	22,778	(1,283)	22,106
Hedges of variable interest rate risk	-	-	-	-	2,053	2,053
Deferred tax charge on hedges (note 15)	-	-	-	-	(349)	(349)
At 31 March 2018	142	429	40	22,778	421	23,810
Profit for the financial year	-	-	-	17,037	-	17,037
Total Comprehensive Income	142	429	40	39,815	421	40,847
Hedges of variable interest rate risk (note 16)	-	-	-	-	(1,083)	(1,083)
Deferred tax charge on hedges (note 15)	-	-	-	-	184	184
At 31 March 2019	142	429	40	39,815	(478)	39,948

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.

Zenith Vehicle Contracts Limited

Notes to the financial statements

For the year ended 31 March 2019

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 19. 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 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 IFRS9. The group 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 Company is included in the consolidated financial statements of Zenith Automotive Holdings Limited which are publicly available. Consequently, 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 Company's current reporting period is 12 months to 31 March 2019. The Company is in a net asset position.

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. Brexit uncertainty has led to customer caution and a lack of visibility of government policy, particularly regarding benefit in kind rates on company cars. The scale of the Group can withstand these short-term challenges particularly our wide truck to car and corporate to consumer propositions enabling us to be agile, spot changes in the market and adapt our strategy if required. 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.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

c. Vehicle leases (continued)

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

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.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

h. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the group 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.

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 "Finance Costs" line item.

Impairment of financial assets

The group always recognises lifetime expected credit loss for trade receivables, intercompany receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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.

Write off policy

The group 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 Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 Group 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.

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.

Zenith Vehicle Contracts Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, 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. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

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 Group 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 Group 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 2019

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.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY(continued)**

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.

3. TURNOVER

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Long term leases	141,225	107,709
Vehicle sales	30,349	72,250
Other*	20,772	16,787
	<u>192,346</u>	<u>196,746</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 2019 £'000	Year ended 31 March 2018 £'000
Intercompany interest receivable	4,464	3,028
Bank interest receivable	27	23
	<u>4,491</u>	<u>3,051</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interest income on intercompany loans	1,096	1,381
Interest on bank loans and overdrafts	1,469	1,319
	<u>2,565</u>	<u>2,700</u>

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interest on finance leases and hire purchase contracts included within cost of sales	177	198
	<u>177</u>	<u>198</u>

6. OPERATING PROFIT

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
Owned	2,939	2,177
Held under finance leases and hire purchase contracts	4,520	3,542
Exceptional items		
Onerous lease and exit costs*	-	498
Integration of acquisitions**	394	252
Group reorganisation***	-	3,022
Waiver of intercompany loan****	-	6,000

* The company incurred exceptional costs relating to office re-locations, these are costs associated with onerous lease costs for the building and car parks and an estimate for dilapidations costs.

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

***The group reorganisation costs relate to relocating staff from one of the office locations to another.

**** During the prior year a number of holding companies, non-trading companies and dormant companies in the Zenith Automotive Holdings Limited group were placed into members' voluntary liquidation. None of these were trading companies. This was part of a group structure simplification exercise completed during the year. As part of the restructure, the intercompany debtor balance due to Zenith Vehicle Contracts Limited from ZVC Group Limited was waived.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

6. OPERATING PROFIT (continued)

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'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	31	30

7. STAFF COSTS

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

	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Office, sales and management staff	420	415

Their aggregate remuneration comprised:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Wages and salaries	13,859	13,843
Social security costs	1,572	1,436
Other pension costs	755	690
Recharged to other group companies*	(4,366)	(4,190)
	<u>11,820</u>	<u>11,779</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.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
<i>Directors remuneration</i>		
Emoluments	1,303	1,213
Contributions to money purchase pension schemes	47	102
	<u>1,350</u>	<u>1,315</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

7. STAFF COSTS (continued)	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
The number of directors who		
Are members of the money purchase pension scheme	7	7
	<u>7</u>	<u>7</u>
	<u><u>7</u></u>	<u><u>7</u></u>
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Remuneration of the highest paid director		
Emoluments	267	262
	<u>267</u>	<u>262</u>
	<u><u>267</u></u>	<u><u>262</u></u>
8. TAX ON PROFIT	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
The tax charge / (credit) comprises:		
Current tax		
UK Corporation tax	1,790	-
Adjustments in respect of prior years*	1,500	(2,860)
Total current tax	<u>3,290</u>	<u>(2,860)</u>
Deferred tax		
Current year	(81)	(59)
Adjustments in respect of prior years	41	22
Effect of changes in tax rates	9	6
Total deferred tax	<u>(31)</u>	<u>(31)</u>
Total tax on profits	<u><u>3,259</u></u>	<u><u>(2,891)</u></u>

The standard rate of tax applied to reported profit is 19% (2018: 19%). The reduction in the main rate of corporation tax from 19% to 17% was substantively enacted on 6 September 2016. This will have effect from 1 April 2020. Accordingly, deferred tax balances have been recognised at the reduced rate of 17% in these financial statements.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors Affecting Total Tax Charge / (Credit) for the Current Period

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Profit before tax	<u>20,296</u>	<u>10,866</u>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	3,856	2,065
Effects of:		
Permanent differences		
Expenses not deductible	188	65
Tax rate changes	9	6
Group relief received free of charge	(2,336)	(2,189)
Adjustments to tax charge in respect of previous years*	<u>1,542</u>	<u>(2,838)</u>
Total tax charge / (credit) for the year	<u>3,259</u>	<u>(2,891)</u>

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

9. DIVIDENDS PAID ON SHARES

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Dividends paid in year of £nil (2018: nil) per ordinary share	<u>-</u>	<u>-</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

10. 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 2018	22,141	19,033	41,174
Additions	2,683	26,364	29,047
Disposals	(1)	(20,742)	(20,743)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	24,823	24,655	49,478
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April 2018	7,895	4,354	12,249
Charge for the year	2,939	4,518	7,457
Disposals	(1)	(2,626)	(2,627)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	10,833	6,246	17,079
	<hr/>	<hr/>	<hr/>
Net book value			
31 March 2018	14,246	14,679	28,925
	<hr/>	<hr/>	<hr/>
31 March 2019	13,990	18,409	32,399
	<hr/>	<hr/>	<hr/>

* Includes IT hardware, software and all items of other plant, fixtures and fittings.

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 £111,351,000 (2018: £112,770,000).

Tangible fixed assets of the Company include vehicles held under operating leases with a net book value of £18,409,000 at the end of the year (2018: £14,679,000). The depreciation charge for the year on these assets was £4,520,000 (2018: £3,542,000).

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

	31 March 2019 £'000	31 March 2018 £'000
Between one and two years	632	1,386
Between two and five years	363	968
	<hr/>	<hr/>
	995	2,354
	<hr/>	<hr/>

No contingent rentals have been included as income.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

11. FIXED ASSET INVESTMENTS

	2019 £'000
Cost	
At 1 April 2018	71
At 31 March 2019	71
Accumulated Impairment	
At 1 April 2018	69
Impairment loss	-
At 31 March 2019	69
Net book value	
At 31 March 2018	2
At 31 March 2019	2

At 31 March 2018 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%

12. DEBTORS

	31 March 2019 £'000	31 March 2018 £'000
Amounts falling due within one year:		
Trade debtors	18,000	16,152
Amounts receivable under hire purchase contracts	210	735
Amounts receivable under securitised contracts	45,029	56,390
Vehicles subject to repurchase agreements	10,309	15,744
Amounts owed by subsidiary undertaking	123,990	74,691
Corporation tax	-	2,395
Other debtors	1,082	(374)
Fair value of hedging instruments	-	507
Prepayments and accrued income	5,392	7,356
	<u>204,012</u>	<u>173,596</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

12. DEBTORS (continued)	31 March 2019 £'000	31 March 2018 £'000
Amounts falling due after more than one year:		
Prepayments and accrued income	3,141	2,875
Amounts receivable under securitised contracts	66,322	55,645
Amounts receivable under hire purchase contracts	654	-
Vehicles subject to repurchase agreements	30,114	37,471
	<u>100,231</u>	<u>95,991</u>
	<u>304,243</u>	<u>269,587</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 charged to the income statement is £329,000 (2018: £nil)

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2019 £'000	31 March 2018 £'000
Bank loans and overdrafts	3,175	-
Obligations under finance leases and hire purchase contracts	15,096	6,117
Amounts owed to group undertakings (securitised contracts)*	60,139	53,659
Vehicles subject to repurchase agreements	10,309	15,744
Trade creditors	7,786	14,897
Amounts owed to group undertakings	73,842	57,344
Other creditors:		
VAT	4,140	2,688
Corporation tax	167	-
Social security and PAYE	957	861
Other**	8,082	8,245
Fair value of hedging instruments	576	-
Accruals and deferred income	9,322	7,987
	<u>193,591</u>	<u>167,542</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

* 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.

** Other creditors balance includes a provision of £nil at 31 March 2019 (2018: £498,000) to cover onerous lease costs associated with an office relocation to happen in the next 12 months. See note 6 for further detail.

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

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2019 £'000	31 March 2018 £'000
Obligations under finance leases and hire purchase contracts	4,085	4,086
Amounts owed to group undertakings (securitised contracts)*	57,082	63,391
Vehicles subject to repurchase agreements (payable within two to five years)	30,114	37,471
	<u>91,281</u>	<u>104,948</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 £19,181,000 (2018: £10,203,000).

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

	31 March 2019 £'000	31 March 2018 £'000
Amounts payable:		
Within one year	15,096	6,117
Within two to five years	4,085	4,086
	<u>19,181</u>	<u>10,203</u>

Obligations under securitised contracts are repayable as follows:

	31 March 2019 £'000	31 March 2018 £'000
Amounts payable:		
Within one year	60,139	53,659
Within two to five years	57,082	63,391
	<u>117,221</u>	<u>117,050</u>

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

15. PROVISIONS FOR LIABILITIES

	31 March 2019 £'000	31 March 2018 £'000
Deferred taxation	703	919
Provision for maintenance costs	11,249	14,807
	<u>11,952</u>	<u>15,726</u>
Deferred taxation is attributable to:		
Excess of capital allowances over depreciation of fixed assets	801	833
Short-term timing differences	(98)	86
	<u>703</u>	<u>919</u>

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

	31 March 2019 £'000	31 March 2018 £'000
Beginning of year	919	601
Depreciation in excess of capital allowances for the year	(81)	(59)
Adjustment in respect of prior years	41	22
Deferred tax charge to reserves	(184)	349
Rate change	8	6
End of year	<u>703</u>	<u>919</u>

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

	31 March 2019 £'000	31 March 2018 £'000
Beginning of year	14,807	16,032
Charged to profit and loss account	21,277	24,604
Utilisation of provision	(24,835)	(25,829)
End of year	<u>11,249</u>	<u>14,807</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.

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

16. SHAREHOLDER FUNDS

	31 March 2019 £'000	31 March 2018 £'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
Retained earnings	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.

17. 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.

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

At the end of the year the Company had contracted capital commitments of £70,409,801 (2018: £64,230,451) 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 2019 the amount secured under this guarantee was £12,467,412 (2018: £21,190,603).

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 £755,251 (2018: £690,000). An amount of £154,928 relating to pension costs remained unpaid as at 31 March 2019 (2017: £133,359).

Zenith Vehicle Contracts Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2019, 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, 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.