

Zenith Automotive Holdings Limited

**ANNUAL REPORT &
FINANCIAL
STATEMENTS**

For the year ended 31 March 2019

Registered number: 10574333

Zenith Automotive Holdings Limited

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Zenith Automotive Holdings Limited

Directors' report

The principal activity of the Group is vehicle finance solutions to fund company cars, commercial vehicles, personal contract hire, provide flexible benefit schemes or fully outsourced fleet management services. We have a strong focus on high quality service delivery and innovation.

Business Review

The directors present their annual report and audited financial statements for the year ended 31 March 2019.

The Group's operating profit before depreciation of tangible fixed assets, amortisation of goodwill, intangibles and exceptional items is £56m (436 days ended 31 March 2018: £62m).

The Group made a statutory operating profit of £1m (2018: £6m) and loss after tax for the period of £93m (436 days ended 31 March 2018: £79m), however this was after deducting non-cash items of £47m for amortisation of goodwill and intangibles, and preference share and loan note interest of £52m. Further details are included in the strategic report.

The Group is cash generative and is forecast to continue to be so for the foreseeable future.

Directors

The directors who served during the period and to the date of this report were:

Tim Buchan is Chief Executive Officer

Tim became CEO of the combined group in March 2017 and has been the CEO of Zenith since 2010. Tim manages the corporate direction and strategy for Zenith and is responsible for directing our proposition, our leadership team, our innovative approach and our new business growth.

Under Tim's leadership Zenith has moved 24 places up the Fleet News 50 list of top leasing and fleet management companies, led the Company to the successful integration of Contract Vehicles Limited, our HGV business, and launched a retail brand, ZenAuto.

Mark Phillips is Chief Financial Officer

Mark is an Economics graduate graduating from the University of Newcastle Upon Tyne in 1989 and trained with Andersen qualifying as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales in 1993. He left Andersen in 1996 and was then group financial controller for a listed speciality chemical and pharmaceutical firm until he joined Zenith as CFO in 1998. He has overall responsibility for the finance functions within Zenith. He also leads our risk management, treasury and legal teams. Mark has been instrumental in all of the private equity transactions the group has progressed through during his period in office and in designing, managing and implementing the securitisation facilities used by the group.

Lord Stuart Rose is Chairman

Lord Rose has worked in retail for over 40 years. He has held Chief Executive Officer positions at Argos plc, Booker plc, Arcadia Group plc and Marks and Spencer plc. He was Chairman of Marks and Spencer plc from 2008 to 2011. Lord Rose was knighted in 2008 for services to the retail industry and corporate social responsibility, and granted a life peerage in August 2014.

He is currently Chairman of Ocado Group plc, Chairman of Fat Face Group Limited, Chairman of Stylemania Limited, trading as Dressipi, Non-Executive Director of RM2 International S.A., Chairman of Majid Al Futtaim Retail based in Dubai and Non-Executive Director of Time Out Group plc.

Zenith Automotive Holdings Limited

Directors' report (continued)

Emma Watford is Non-Executive Director

Emma is a Partner with Bridgepoint and sits on the boards of Zenith and Hobbycraft. Emma has worked on a number of transactions including the acquisitions of Zenith, Estera, Quilter and Cheviot and the exits of Quilter Cheviot and Pets at Home. Prior to joining Bridgepoint, she was a director of Candover Partners and prior to that, Emma worked at Morgan Stanley in mergers and acquisitions.

Guy Weldon is Non-Executive Director

Guy is a Partner and Chief Investment Officer at Bridgepoint. Guy currently sits on the boards of Hobbycraft and Zenith. Guy has worked extensively on private equity transactions across Europe, particularly within the Consumer sector working on amongst others Pret A Manger and Pets at Home.

Patrick Rawnsley is Group General Counsel and Company Secretary

Patrick leads the legal and compliance function across the Group's activities. He brings 30 years' experience as a corporate lawyer, both in private practice and in public companies. Patrick ensures that the Zenith team and its external legal partners remain constantly aligned to the Group's objectives and supports the ongoing needs of both our valued customers and our regulators at the FCA.

Registered Office

The Company's registered office is

Number One
Great Exhibition Way
Kirkstall Forge
Leeds
England
LS5 3BF

The company is a private limited company registered in England & Wales.

The directors present their annual report on the affairs of the Group, 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 period and remain in force at the date of this report.

Results and dividends

No dividends were paid in the year (436 days ended 31 March 2018: £nil) and no dividends have been declared. For discussion on the Group financial performance for the year please refer to business review section in the Strategic Report.

Principal risks and uncertainties

The principal risks and uncertainties of the Group and Company are discussed in the Strategic Report.

Future Developments

The directors set out in the Strategic Report the future developments of the business

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 Group and Company.

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

Zenith Automotive Holdings Limited

Directors' report (continued)

Post balance sheet events

There are no post balance sheet events to report.

Charitable and political contributions

During the year the Group made charitable donations of £21,100 (436 days ended 31 March 2018: £29,381), principally to local charities serving the communities in which the Group operates. The Group made no political contributions in the year.

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.

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 Group 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 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 s418 of the Companies Act 2006. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



M T Phillips
Director
31 July 2019

Zenith Automotive Holdings 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 period. 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 Automotive Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Zenith Automotive Holdings Limited (the ‘parent company’) and its subsidiaries (the ‘group’):

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2019 and of the group’s loss 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 consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

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 group and the parent 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 (the 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 group’s or the parent 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 Automotive Holdings 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 group's and the parent 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 group or the parent 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 Automotive Holdings 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Automotive Holdings Limited
Consolidated profit and loss account
For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £'000	Restated** 436 days ended 31 March 2018 £'000
Turnover	3	439,463	462,995
Cost of sales		<u>(348,200)</u>	<u>(368,580)</u>
Gross profit		91,263	94,415
Operating expenses		<u>(90,315)</u>	<u>(88,605)</u>
Operating profit before depreciation of tangible fixed assets, amortisation of goodwill, intangible assets and exceptional items*		56,175	62,806
Depreciation of owned tangible fixed assets	4	(4,428)	(3,684)
Amortisation of goodwill	4	(23,885)	(23,873)
Amortisation of intangible assets	4	(23,629)	(23,948)
Operating exceptional items	6	(3,285)	(5,491)
Operating profit	4	948	5,810
Finance costs (net)	5	<u>(93,064)</u>	<u>(88,250)</u>
Loss before taxation		(92,116)	(82,440)
Tax(charge) / credit on loss	9	<u>(748)</u>	<u>3,770</u>
Loss for the financial year / period		<u>(92,864)</u>	<u>(78,670)</u>

All results derive from continuing operations.

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

The accompanying notes 1 to 23 are an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Loss for the financial period	(92,864)	(78,670)
Hedge (losses) / gains arising during period (net)	<u>(2,585)</u>	<u>2,402</u>
Total comprehensive expense attributable to the shareholders of the Group	<u>(95,449)</u>	<u>(76,268)</u>

Zenith Automotive Holdings Limited

Consolidated balance sheet

As at 31 March 2019

	Note	As at 31 March 2019 £'000	Restated** As at 31 March 2018 £'000
Fixed assets			
Goodwill	10	429,707	453,592
Intangible assets	11	429,413	441,984
Tangible assets	12	<u>422,393</u>	<u>423,880</u>
		<u>1,281,513</u>	<u>1,319,456</u>
Current assets			
Debtors			
– due within one year *	14	93,216	91,058
– due after one year	14	71,319	75,659
Cash at bank and in hand		<u>21,028</u>	<u>16,483</u>
Creditors: Amounts falling due within one year	15	<u>(290,928)</u>	<u>(271,429)</u>
Net current (liabilities)		<u>(105,365)</u>	<u>(88,229)</u>
Total assets less current liabilities		1,176,148	1,231,227
Creditors: Amounts falling due after more than one year*	16	(987,583)	(938,416)
Provisions for liabilities	17	<u>(86,298)</u>	<u>(95,099)</u>
Net assets		<u><u>102,267</u></u>	<u><u>197,712</u></u>
Capital and reserves			
Called up share capital	18	271,545	271,544
Share premium account		2,439	2,436
Hedging reserve		(183)	2,402
Profit and loss account		<u>(171,534)</u>	<u>(78,670)</u>
Shareholders' funds		<u>102,267</u>	<u>197,712</u>

** The prior year comparatives have been restated to show Loan notes in note 16 net of the unamortised issue costs of £8,866,000 previously shown in prepayments and accrued income within the Debtors note 14.

The accompanying notes 1 to 23 are an integral part of these financial statements.

The financial statements of Zenith Automotive Holdings Limited were approved by the board of directors and authorised for issue on 31 July 2019.



M T Phillips

Director

Zenith Automotive Holdings Limited
Company balance sheet
As at 31 March 2019

	Note	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Fixed assets			
Investments	13	2,482	2,482
Current assets			
Debtors – due within one year	14	312,059	293,410
Cash at bank and in hand		20	20
Creditors: Amounts falling due within one year	15	(3,453)	(3,459)
Net current assets		<u>308,626</u>	<u>289,971</u>
Total assets less current liabilities		<u>311,108</u>	<u>292,453</u>
Creditors: Amounts falling due after more than one year	16	(57,657)	(27,732)
Net assets		<u><u>253,451</u></u>	<u><u>264,721</u></u>
Capital and reserves			
Called up share capital	18	271,545	271,544
Share premium account		2,439	2,435
Profit and loss account		(20,533)	(9,258)
Shareholders' funds		<u><u>253,451</u></u>	<u><u>264,721</u></u>

The accompanying notes 1 to 23 are an integral part of these financial statements.

The loss for the year ended 31 March 2019 was £11,275,000 (436 days ended 31 March 2018: £9,258,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

The financial statements of Zenith Automotive Holdings Limited (registered number 10574333) were approved by the board of directors and authorised for issue on 31 July 2019.



M T Phillips
Director

Zenith Automotive Holdings Limited
Consolidated statement of changes in equity
As at 31 March 2019

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 20 January 2017	-	-	-	-	-
Issue of share capital	271,544	2,436	-	-	273,980
Acquisition of subsidiary	-	-	-	(1,283)	(1,283)
Loss for the financial period	-	-	(78,670)	-	(78,670)
Hedges of variable interest rate risk (note 20)	-	-	-	4,440	4,440
Deferred tax charge (note 17)	-	-	-	(755)	(755)
At 31 March 2018	<u>271,544</u>	<u>2,436</u>	<u>(78,670)</u>	<u>2,402</u>	<u>197,712</u>
Issue of share capital	1	3	-	-	4
Loss for the financial period	-	-	(92,864)	-	(92,864)
Hedges of variable interest rate risk (note 20)	-	-	-	(3,115)	(3,115)
Deferred tax charge (note 17)	-	-	-	530	530
At 31 March 2019	<u>271,545</u>	<u>2,439</u>	<u>(171,534)</u>	<u>(183)</u>	<u>102,267</u>

The accompanying notes 1 to 23 are an integral part of these financial statements.

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 account. These will subsequently be released to the profit and loss account in the period the forecasted cashflow it is hedging occurs.

Zenith Automotive Holdings Limited
Company statement of changes in equity
As at 31 March 2019

	Called up share capital £'000	Share premium Account £'000	Profit and loss account £'000	Total £'000
At 20 January 2017	-	-	-	-
Issue of share capital (note 18)	271,544	2,436	-	273,980
Loss for the financial period and total comprehensive income	-	-	(9,258)	(9,258)
At 31 March 2018	<u>271,544</u>	<u>2,436</u>	<u>(9,258)</u>	<u>264,722</u>
Issue of share capital (note 18)	1	3	-	4
Loss for the financial period and total comprehensive income	-	-	(11,275)	(11,275)
At 31 March 2019	<u><u>271,545</u></u>	<u><u>2,439</u></u>	<u><u>(20,533)</u></u>	<u><u>253,451</u></u>

The accompanying notes 1 to 23 are an integral part of these financial statements.

Zenith Automotive Holdings Limited
Consolidated cash flow statement
For the year ended 31 March 2019

	Year ended 31 March 2019 £'000	Restated* 436 days ended 31 March 2018 £'000
Operating profit	948	5,810
Adjustment for:		
Depreciation charges and impairment of fixed assets	118,560	107,253
Amortisation of goodwill and intangibles	47,513	47,821
Profit on sale of tangible fixed assets	(3,551)	(4,413)
Income tax paid	(1,575)	(2,750)
Interest paid	(38,373)	(34,681)
	<hr/>	<hr/>
Operating cash flow before movement in working capital	123,522	119,040
Capital repayment received from lessees	7,184	61,852
(Increase) in debtors	(7,683)	(11,080)
Increase / (Decrease) in creditors	6,468	(18,763)
(Decrease) in provisions	(4,404)	(3,789)
	<hr/>	<hr/>
Net cash inflow from operating activities	125,088	147,260
Cash flows from investing activities		
Proceeds from sale of operating lease assets	94,028	117,466
Purchase of operating lease assets	(22,620)	(35,374)
Purchase of operating lease assets (funded)*	(190,682)	(198,122)
Purchase of intangible assets*	(6,142)	(4,916)
Purchase of subsidiary undertakings, net of cash acquired (note 10)	-	(457,703)
	<hr/>	<hr/>
Net cash flows from investing activities	(125,416)	(578,649)
Cash flows from financing activities		
Issue of share capital	4	273,980
Repayments of borrowings	(185,813)	(629,038)
Drawdown of funding*	190,682	198,122
Bank loans raised	-	404,808
Issue of loan notes	-	200,000
	<hr/>	<hr/>
Net cash flows from financing activities	5,273	447,872
	<hr/>	<hr/>
Net increase in cash and cash equivalents	4,545	16,483
	<hr/>	<hr/>
Cash and cash equivalents at start of the year / period	16,483	-
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	21,028	16,483

The accompanying notes 1 to 23 are an integral part of these financial statements.

*the prior year cashflows have been restated to better reflect the substance of the transactions

Zenith Automotive Holdings 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 period.

a. General information and basis of accounting

Zenith Automotive Holdings 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 24. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has adopted IFRS9 for classification and measurement of financial instruments and hedge accounting.

The functional currency of Zenith Automotive Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are also presented in pounds sterling.

Zenith Automotive Holdings Limited has taken advantage of the company only disclosure exemptions available under FRS 102 in relation to presentation of a cash flow statement, remuneration of key management personnel and related party transactions.

The Company's and the Group's prior year reporting period is 436 days to 31 March 2018.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Going concern

The Group has considerable financial resources and has a broad customer base across different business sectors in the United Kingdom. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 Group's ability to continue as a going concern for the foreseeable future. In forming this view, the directors have considered the Group'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 foreseen 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.

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

d. 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 period.

Vehicles leased to customers under operating leases are reported as tangible fixed assets including those funded under securitisation. They are stated at their fair value at acquisition less depreciation.

Lease rentals under finance leases and hire purchase contracts 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. Finance income and finance charges on securitised funding are accounted for on an effective interest rate basis.

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

e. Turnover

Turnover arises entirely from sales to the UK customers and is generated wholly from the Group's principal business activity. Any European activity is contracted by our European alliance partners and not directly by the Group with commission income being recognised as it is earned in these accounts.

The recognition policies within the single class of business are as follows:

Revenue type	Recognition policies
Interest on finance leases and hire purchase contracts	See vehicle leases
Contract hire rental income	See vehicle leases
Employee Car Ownership	See vehicle leases
Fleet management and outsourcing fees	On a straight-line basis over the 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 the period of contract
Vehicle purchase incentives	On a straight-line basis over the period of lease
Agency rentals	On a straight-line basis over the period of contract

f. 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 Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

g. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value over the useful life or period of lease. Assets leased to customers on operating leases are depreciated over the period on a straight-line basis. These assets are held for lease terms which represent a significant portion of the useful economic life of the 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:

Leasehold improvements	Over the term of the lease - straight-line
Equipment, fixtures and fittings	20% per annum - reducing balance
Computer hardware	25% per annum - straight-line
Computer software	20% per annum - straight-line

h. 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.

i. 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.

j. Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment where the value in use is less than the carrying value.

k. Intangible assets –customer relationships

Customer relationships are fair valued at point of acquisition, this value is capitalised and written off on a straight-line basis over its useful economic life, which is judged to be 20 years. Provision is made for any impairment.

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1. 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 Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1. Financial instrument (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 Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

m. 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 Group'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, except where the Group 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 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 Group 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.

n. Loss attributable to the Company

The loss for the year ended 31 March 2019 dealt with in the financial statements of the parent Company was £11,275,000 (436 days ended 31 March 2018: £9,258,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

o. Exceptional items

Exceptional items are those which reflect costs that do not relate to the Group'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 Group's financial performance.

p. Finance costs

Finance costs are provided at the interest rates that have been contracted during the period.

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

The Group regularly reviews for new indicators of impairment, where none are found no impairment testing is undertaken; where such indicators are found the Group undertakes an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £429,772,000 (2018: £453,592,000). No impairment loss was recognised during the year ended 31 March 2019 (436 days ended 31 March 2018: £nil).

Key source of estimation uncertainty

Residual values

When pricing a lease, the estimate of what a vehicle will be worth at the end of the lease is called the residual value. The Group 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 and maintenance risk and our risk positions and exposures are constantly reassessed and adjusted accordingly. As such, residual values held in the financial statements of this Group are believed to be redeemable and free from impairment.

Maintenance provision

The Group 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 evidence 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.

The provision at 31 March 2019 amounts to £14,374,000.

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

3. TURNOVER

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
An analysis of the Group's turnover by class of business is set out below:		
Long term leases	266,381	236,453
Vehicle sales	125,848	123,926
Other*	47,234	102,616
	<u>439,463</u>	<u>462,995</u>

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

The Group's turnover was all derived from operations within the United Kingdom

4. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Depreciation of tangible fixed assets (note 12)		
Owned	3,270	2,672
Company cars	1,158	1,012
Held under finance leases and hire purchase contracts	114,130	104,580
Amortisation of goodwill (note 10)	23,885	23,873
Amortisation of intangibles (note 11)	23,629	23,948
Operating exceptional items (note 6)	3,285	5,491

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

4. OPERATING PROFIT (continued)

The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	16	28
The audit of the Company's subsidiaries	140	150
Total audit fees	<u>156</u>	<u>178</u>
Taxation compliance services	38	38
Other taxation advisory services	124	165
Corporate Finance Fees	-	2,559
Total non-audit fees	<u>162</u>	<u>2,762</u>
Total Fees	<u><u>318</u></u>	<u><u>2,940</u></u>

5. FINANCE COSTS (net)

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Bank loans, loan notes, preference shares and overdrafts	<u>(93,064)</u>	<u>(88,250)</u>
Finance costs (net)	<u><u>(93,064)</u></u>	<u><u>(88,250)</u></u>

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

6. EXCEPTIONAL ITEMS

The Group incurred the following exceptional costs:

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Reorganisation of acquisitions	413	1,971
Group reorganisation	<u>2,872</u>	<u>3,520</u>
Total exceptional items	<u>3,285</u>	<u>5,491</u>

Costs relating to reorganisation of the acquired heavy goods vehicle company, Contract Vehicles Limited, were treated as exceptional. During the period the Group announced that it will relocate a number of roles from one office to another location and will close a proportion of the office building.

7. STAFF COSTS

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

	Year ended 31 March 2019 Number	436 days ended 31 March 2018 Number
Office, sales and management staff	686	658

Their aggregate remuneration comprised:

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Wages and salaries	22,656	22,152
Social security costs	2,360	2,697
Other pension costs (see note 19)	<u>1,192</u>	<u>1,234</u>
	<u>26,208</u>	<u>26,083</u>

There are no employees in Zenith Automotive Holdings Limited company.

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

8. DIRECTORS' REMUNERATION AND TRANSACTIONS

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
<i>Directors' remuneration</i>		
Emoluments	671	577
	<u>671</u>	<u>577</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	-	-
	<u>-</u>	<u>-</u>
	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Remuneration of the highest paid director:		
Emoluments	267	262
	<u>267</u>	<u>262</u>

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

9. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge / (credit) comprises:

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Current tax on loss		
UK corporation tax	1,848	1,034
Adjustment in respect of previous periods	2,767	-
Total current tax	<u>4,615</u>	<u>1,034</u>
Deferred tax		
Origination and reversal of timing differences	(4,375)	(5,350)
Adjustment in respect of previous periods	48	-
Effect of changes in tax rates	460	546
Total deferred tax	<u>(3,867)</u>	<u>(4,804)</u>
Total tax on loss	<u><u>748</u></u>	<u><u>(3,770)</u></u>

The standard rate of tax applied to reported loss 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. The applicable tax rate has changed following the substantive enactment of the Finance Act 2015.

Factors Affecting Total Tax Charge for the Current Period

	Year ended 31 March 2019 £'000	436 days ended 31 March 2018 £'000
Loss before tax	(92,116)	(82,440)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(17,502)	(15,663)
Effects of:		
- Expenses not deductible for tax purposes	14,976	11,601
- Income not taxable	-	(340)
- Adjustment in respect of previous periods	2,814	-
- Effects of Group relief	-	86
- Effects of other tax rates / credits	460	546
Total tax charge / (credit) for year	<u><u>748</u></u>	<u><u>(3,770)</u></u>

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

10. GOODWILL

Group:	£'000
Cost	
At 31 March 2018	477,465
Additions in the year	-
At 31 March 2019	<u>477,465</u>
Accumulated amortisation	
At 31 March 2018	23,873
Charge for the year	23,885
At 31 March 2019	<u>47,758</u>
Net book value	
At 31 March 2019	<u>429,707</u>

Company:

As at 31 March 2019 the Company only financial statements contain goodwill of £nil (2018: £nil).

11. INTANGIBLE ASSETS

Group	£'000
Cost	
At 31 March 2018	465,932
Reclassification from tangible fixed assets*	4,916
Additions in the year	6,142
At 31 March 2019	<u>476,990</u>
Accumulated amortisation	
At 31 March 2018	23,948
Charge for the year	23,629
At 31 March 2019	<u>47,577</u>
Net book value	
At 31 March 2019	<u>429,413</u>

* Computer software has been reclassified to intangible assets during the year as this better represents the substance of the assets.

The net book value of intangibles is split between acquired customer intangibles £419,339,000 and computer software £10,074,000.

Amortisation of intangible assets is charged as an operating expense.

Company:

As at 31 March 2019 the Company only financial statements contain intangible assets of £nil (2018:£nil).

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

12. TANGIBLE FIXED ASSETS

	Equipment, fixtures and fittings £'000	Vehicles leased to customers £'000	Total £'000
Cost			
At 31 March 2018	21,741	415,582	437,323
Reclassification*	(4,916)	-	(4,916)
Additions	3,160	209,305	212,465
Disposals	(1)	(174,546)	(174,547)
At 31 March 2019	<u>19,984</u>	<u>450,341</u>	<u>470,325</u>
Accumulated depreciation			
At 31 March 2018	1,865	11,578	13,443
Charge for the year	3,270	115,288	118,558
Disposals	(1)	(84,069)	(84,070)
At 31 March 2019	<u>5,134</u>	<u>42,797</u>	<u>47,931</u>
Net book value			
At 31 March 2019	<u>14,850</u>	<u>407,544</u>	<u>422,394</u>
Net book value			
At 31 March 2018	<u>19,876</u>	<u>404,004</u>	<u>423,880</u>

Equipment, fixtures and fittings includes computer hardware which has not been split out as the directors deem them to be not material to the users of the financial statements.

* Computer software has been reclassified to intangible assets during the year as this better represents the substance of the assets.

Tangible fixed assets of the Group include vehicles leased to customers under finance leases, hire purchase contracts and under the securitisation agreement with a net book value of £407,544,000 (2018: £404,004,000) at the end of the year. The depreciation charge for the year on these assets was £115,288,000 (2018: £104,580,000).

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

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Within one year	109,247	114,690
Between one and five years	109,736	121,030
	<u>218,983</u>	<u>235,720</u>

No contingent rentals have been included as income.

Company:

As at 31 March 2019 the Company only financial statements contain tangible fixed assets of £nil (2018: £nil).

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

13. FIXED ASSET INVESTMENTS

	As at 31 March 2019 and 2018 £'000
Company subsidiary undertakings:	
Cost and net book value	2,482

At 31 March 2019 the Company held, directly and indirectly, 100% of the allotted ordinary share capital of the following (*The shares in the undertakings marked with an asterisk are held indirectly by subsidiary undertakings):

	Class of shares held	Principal activity	Percentage of shares held
Zeus Finco Limited	Ordinary	Holding company	100%
Zeus Midco Limited	Ordinary	Holding company	100%*
Zeus Bidco Limited	Ordinary	Holding company	100%*
Zenith OpCo Limited	Ordinary	Contracting company	100%*
Leasedrive Limited	Ordinary	Vehicle leasing and related activities	100%*
Velo Limited	Ordinary	Vehicle leasing and related activities	100%*
Zenith Vehicle Contracts Limited	Ordinary	Vehicle leasing and related activities	100%*
Zenith EF Limited	Ordinary	Vehicle leasing and related activities	100%*
Provecta Car Plan Limited	Ordinary	Vehicle leasing and related activities	100%*
Zenith Remarketing Limited	Ordinary	Vehicle leasing and related activities	100%*
Contract Vehicles Limited	Ordinary	Vehicle leasing and related activities	100%*
ZenAuto Limited	Ordinary	Vehicle leasing and related activities	100%*

All the companies are incorporated in England and Wales and operate principally in their country of registration. The registered office of all the above subsidiaries is Number One, Great Exhibition Way, Kirkstall Forge, Leeds, England, LS5 3BF.

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

14. DEBTORS

	Group	Company	Restated	Company
	As at 31	As at 31	Group	As at 31
	March	March	March	March
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	38,925	-	35,959	-
Amounts receivable under finance leases	6	-	54	-
Amounts receivable under hire purchase contracts	2,746	-	2,770	-
Amounts receivable under securitised contracts	12,764	-	2,382	-
Vehicles subject to repurchase agreements	13,646	-	22,759	-
Amounts owed by subsidiary undertaking**	-	309,414	-	290,492
Other debtors	1,568	41	921	170
Corporation tax	-	-	2,009	-
Fair value of hedging instruments	355	-	2,894	-
Prepayments and accrued income*	22,070	2,604	21,310	2,748
VAT	1,135	-	-	-
	93,216	312,059	91,058	293,410
Amounts falling due after more than one year:				
Amounts receivable under hire purchase contracts	4,141	-	6,089	-
Amounts receivable under securitised contracts	28,334	-	24,624	-
Vehicles subject to repurchase agreements	31,068	-	40,376	-
Prepayments and accrued income	7,776	-	4,570	-
	71,319	-	75,659	-
	164,535	312,059	166,717	293,410

All the Group'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 £370,000 (2018: £nil)

* The prior year comparatives have been restated to show the Loan notes in note 16 net of the unamortised issue costs of £8,866,000 previously shown in prepayments and accrued income within the Debtors note. See note 16 for further details.

**Amounts owed by Group undertakings are unsecured, repayable on demand and accrue a fixed commercial rate of interest.

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Company	Group	Company
	As at 31	As at 31	As at 31	As at 31
	March 2019	March 2019	March 2018	March 2018
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase				
Contracts	31,492	-	31,761	-
Obligations under securitised contracts	167,778	-	145,609	-
Vehicles subject to repurchase agreements	13,646	-	22,759	-
Trade creditors	28,547	-	31,940	-
VAT	7,226	-	3,295	-
Other taxation and social security	1,106	-	1,020	-
Corporation tax	22	-	-	-
Withholding tax	467	-	-	-
Other creditors**	15,117	-	10,840	-
Fair value of hedging instruments	576	-	-	-
Accruals and deferred income	24,949	-	24,205	-
Amounts owed to other group undertakings*	-	3,453	-	3,459
	290,928	3,453	271,429	3,459

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

** Other creditors balance includes a provision of £1,175,000 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.

16. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Company	Restated	Company
	As at 31	As at 31	As at 31	As at 31
	March 2019	March 2019	March 2018	March 2018
	£'000	£'000	£'000	£'000
Bank loans	408,173	-	404,810	-
Obligations under finance leases and hire purchase contracts	13,404	-	14,872	-
Obligations under securitised contracts	246,779	-	243,921	-
Vehicles subject to repurchase agreements	31,068	-	40,376	-
Loan notes*	228,236	-	206,256	-
Accruals and deferred income	59,924	57,657	28,181	27,732
	987,583	57,657	938,416	27,732

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

16. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

* The prior year comparatives have been restated to show the Loan notes net of the unamortised issue costs of £8,866,000 previously shown in prepayments and accrued income note 14. This has been restated to align with the subsidiary statutory accounts.

	2018 £'000	Restated 2018 £'000
Debtors due within one year	99,925	91,058
Creditors: amounts falling due after more than one year	(947,283)	(938,416)

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

	Group As at 31 March 2019 £'000	Company As at 31 March 2019 £'000	Group As at 31 March 2018 £'000	Company As at 31 March 2018 £'000
Obligations under finance leases and hire purchase contracts				
Within two to five years	13,404	-	14,872	-
On demand or within one year	31,492	-	31,761	-
	<u>44,896</u>	<u>-</u>	<u>46,633</u>	<u>-</u>
Obligations under securitised contracts				
Within two to five years	246,779	-	243,921	-
On demand or within one year	167,778	-	145,609	-
	<u>414,557</u>	<u>-</u>	<u>389,530</u>	<u>-</u>

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

17. PROVISIONS FOR LIABILITIES

	Deferred taxation £'000	Maintenance costs £'000	Total £'000
Group			
At 31 March 2018	76,321	18,778	95,099
(Released) to profit and loss account	(4,375)	33,802	29,427
Charged to profit and loss account	-	33,801	33,801
Released to other comprehensive income	(529)	-	(529)
Adjustment in respect of prior years	48	-	48
Rate change	461	-	461
Utilisation of provision	-	(38,206)	(38,206)
	<u>71,925</u>	<u>14,373</u>	<u>86,298</u>
At 31 March 2019	<u>71,925</u>	<u>14,373</u>	<u>86,298</u>

Maintenance costs

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.

Deferred tax

Deferred tax is provided as follows:	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Accelerated capital allowances	675	542
Short term timing differences	(36)	642
Non-trading timing differences	71,287	75,137
Provision for deferred tax	<u>71,925</u>	<u>76,321</u>

Non-trading timing differences:

Deferred tax liability directly related to intangible assets (note 11). This liability will unwind over a 20 year period in line with movements of the intangible asset balances.

The amount of deferred tax assets not recognised as at 31 March 2019 is £nil (2018: £nil).

Company

As at 31 March 2019 the Company only financial statements contain provisions of £nil (2018: £nil).

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

18. CALLED UP SHARE CAPITAL

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Allotted, called up and fully-paid		
1,999,999 A ordinary shares of £0.01 each	20	20
424,375 B ordinary shares of £0.01 each	4	4
18,345 C ordinary shares of £0.01 each	-	-
238,043 D1 ordinary shares of £0.01 each	3	2
271,517,758 preference shares of £1.00 each	<u>271,518</u>	<u>271,518</u>
	<u>271,545</u>	<u>271,544</u>

The A, B and C ordinary shares rank ahead of the D1 ordinary shares for dividend and on a return of assets. In the event of a future sale or listing of the Company the D1 ordinary shares entitle employees holding those shares to share in any value in excess of a hurdle rate set by the directors on the shares (set at a premium to the current equity value of the Company). The maximum value that can be delivered to D1 ordinary shareholders is 1.5% of any excess above the hurdle rate.

During the year, the Company implemented a growth share scheme under which eligible employees were given the opportunity to subscribe for D1 class shares. These shares were issued on 26 March 2019.

A reconciliation of share movements in the year is given below:

Type of shares	Ordinary	A Ordinary	B Ordinary	C Ordinary	D1 ordinary	Preference
20 January 2017	1					
31 March 2017	(1)*	1,999,999	368,750	15,940	-	271,517,758
1 October 2017	-	-	18,750	811	-	-
29 November 2017	-	-	-	-	238,043	-
2 January 2018	-	-	36,875	1,594	-	-
26 March 2019	-	-	-	-	54,635	-
	<u>-</u>	<u>1,999,999</u>	<u>424,375</u>	<u>18,345</u>	<u>292,678</u>	<u>271,517,758</u>

* The existing one ordinary share of £1 in the capital of the Company be re-designated as 100 class A ordinary shares of nominal value of £0.01 each.

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

19. FINANCIAL COMMITMENTS

Group

a) Capital commitments

At the end of the year the Group had contracted capital commitments of £106,903,942 (2018: £99,299,000) relating to the purchase of vehicles for leasing to its customers. These commitments are expected to be met within the next 12 months. The Group had no other capital commitments.

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) Buy back commitments

The Group had commitments to purchase vehicles at the expiry of leases as follows:

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Within one year	2,855	3,871
Within two to five years	4,523	6,115
	<u>7,378</u>	<u>9,986</u>

The buy-back commitments above represent agreements that Provecta Car Plan Limited has with customers that give the customer the option to sell the vehicle back to the Group for its residual value at the end of the lease agreement.

The directors are of the opinion in aggregate across the portfolio that no losses will be incurred in disposing of these vehicles.

d) Pension arrangements

The Group 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 £1,191,967 (436 days ended 31 March 2018: £1,234,000). The amount unpaid as at 31 March 2019 was £180,709 (2018: £171,312).

Company:

The Company has no financial commitments for the year ended 31 March 2019 (2018: £nil).

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

20. FINANCIAL INSTRUMENTS

The carrying value of the Group's financial assets and liabilities are summarised as below.

At the balance sheet date, the Group had in place hedging arrangements to reduce its exposure to movements in interest rates. The Group has used a combination of interest rate caps and interest rate swaps (whereby it has swapped floating rates for fixed rates) against the amortisation profile of its term loans until their expiry. The indicative market value of these derivatives as at 31 March 2019 is a liability of £220,895 (2018: asset £2,894,000).

	2019	2018
	Group	Group
	£'000	£'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
• Derivative financial assets (see note 21)	355	2,894
Debt instruments measured at amortised cost		
• Loans receivable (see note 14)	92,705	96,159
Measured at undiscounted amount receivable		
• Loans receivable (see note 14)	40,493	76,551
Equity instruments measured at cost less impairment		
• Fixed asset investments in subsidiaries (see note 13)	2,482	2,482
	<u> </u>	<u> </u>
As at 31 March 2019	<u>136,035</u>	<u>178,086</u>
	Group	Group
	£'000	£'000
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
• Derivative financial assets (see note 21)	576	-
Measures at amortised cost		
• Loans payable (see notes 15 and 16)	639,158	619,932
• Obligations under finance leases (see notes 15 and 16)	504,167	499,299
Measured at undiscounted amount payable		
• Trade and other creditors (see notes 15 and 16)	137,359	99,481
	<u> </u>	<u> </u>
As at 31 March 2019	<u>1,281,260</u>	<u>1,218,712</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Zenith Automotive Holdings Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

20. FINANCIAL INSTRUMENTS (continued)

	<u>Group</u>	
	<u>As at 31 March 2019 £'000</u>	<u>As at 31 March 2018 £'000</u>
Fair value gains and (losses)		
On derivative financial assets designated in an effective hedging relationship	(3,115)	4,439
	<u><u>(3,115)</u></u>	<u><u>4,439</u></u>

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	As at 31 March 2019 £'000	As at 31 March 2018 £'000	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Group				
Derivatives that are designated and effective as hedging instruments are carried at fair value				
Interest rate caps	(120)	108	(101)	2,786

Interest rate swaps and caps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal value		Fair value asset/(liability)	
	As at 31 March 2019 %	As at 31 March 2018 %	As at 31 March 2019 %	As at 31 March 2018 %	As at 31 March 2019 %	As at 31 March 2018 %
Less than 1 year	0.9%	0.9%	85,108	89,380	(120)	108
1 to 2 years	0.9%	0.9%	67,696	78,362	(101)	131
2 to 5 years	0.9%	0.9%	373,718	423,638	-	2,655
			526,522	591,380	(221)	2,894

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is either one or three months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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 Group comprehensive income over the period to maturity of the interest rate swaps.

Losses of £2,585,000 (436 days ended 31 March 2018: gains of £2,402,000) were recognised in other comprehensive income.

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

22. RELATED PARTY TRANSACTION

A related party is either an individual with control or significant influence over the Group, or a company that is linked to the Group by investment or a related individual. Our primary related parties are our key management personnel.

Key management personnel are considered to be the Group's directors, who are members of either or both of the Group holding board or operating board.

The remuneration of key management personnel of the Group is set out below in aggregate.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Salary and short term benefits	3,235	2,323
Group contribution to money purchase pension scheme	95	267
Loss of office	-	-
	<u>3,330</u>	<u>2,590</u>

Amounts included in the table above reflect the remuneration of the 20 (2018: 17) key management personnel who are members of the holding and operating boards.

There were no other transactions with directors for the years covered by these consolidated financial statements.

23. ULTIMATE CONTROLLING PARTY

At 31 March 2019, the largest and smallest group in which the results of the company were consolidated is Zenith Automotive Holdings Limited, incorporated in England and Wales. The consolidated financial statements can be obtained from the registered office at Number One, Great, Exhibition Way, Kirkstall Forge, Leeds, England, 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.