Zenith Automotive Holdings Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 March 2021

Registered number: 10574333

Zenith
Intelligent Vehicle Solutions

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INTRODUCTION

The directors present their Annual Review for the Zenith Automotive Holdings Limited group of companies (the 'Group' or 'Zenith'), for the year ended 31 March 2021.

Zenith is the UK's largest independent vehicle asset manager, with approximately 150,000 vehicles under management, across all asset types, including cars, vans, trucks and trailers. Zenith is also the largest independent (i.e. not bank- or manufacturer-owned) vehicle leasing business in the UK, providing a variety of leasing and fleet management options for its customers, be that corporates or consumers.

Zenith has leasing and asset management capabilities across corporate, commercial and consumer sectors; asset types ranging from motorbikes to cars to light commercial vehicles to heavy goods vehicles and specialist assets such as trailers; and leases ranging from durations of one day to eight years and beyond. Originally established in 1989 as a specialist provider of bespoke fleet solutions for mid to large corporates, its customers now range from household brands and some of the biggest organisations in the UK through to individual consumers via our rapidly growing digital-to-consumer personal contract hire channels.

Across all of these innovative and intelligent vehicle solutions, Zenith provides a variety of services, from funding corporate cars, light or heavy commercial vehicles, providing flexible benefit schemes; funding cars for private consumers or delivering fully outsourced fleet management services. We have been successful for many decades in delivering a high-quality and innovative service to our customers.

CEO STATEMENT

2020 was unlike any other year in living memory. The global pandemic brought with it many unprecedented challenges, and we continue to experience the impact of COVID-19 as we enter the second half of 2021. Against this backdrop, I am incredibly proud of how the Zenith team navigated the hurdles presented by the pandemic and how they continued to deliver for our customers throughout and, in doing so, delivered such a strong performance for the company.

Our priority is – and always has been – the health and wellbeing of our colleagues and to deliver for our customers. Zenith's three decades of experience means we had robust business processes in place coming into the pandemic. And our strong track record of investment in technology and people ensured that, by March 2020, we were able to adapt to homeworking very quickly, two full weeks before the Government instigated its first national lockdown.

Thanks to these strong foundations, we were able to continue to offer the very high levels of customer service and support that we are known for. That we were able to do so at a time when our customers themselves were going through such upheaval and uncertainty is testament to the dedication, patience and resilience of the Zenith team.

Throughout the year we continued to invest and innovate, with ZenAuto being a particular area of focus for us as our digital, direct-to-consumer offer goes from strength to strength. But that investment has also been in our people. Our commitment to investing in the next generation of the Zenith team continued apace, with 11 apprentices joining us during the period. We also signed up to the Kickstart scheme to offer opportunities to 16-24 year olds from our local community to build their careers in the automotive industry.

As we begin to emerge from what is hopefully the last significant phase of restrictions and I look across the business, I see a company that is in as robust a shape as ever.

The pandemic brought with it significant headwinds but, as a Group, we remained active during the period. In September 2020 we completed the acquisition of the fleet services, rental and finance operations of the Cartwright Group from administrators. The deal saved 259 jobs and secured Zenith's position as the UK's largest HGV and specialist fleet operator, with 50,000 vehicles and one of the largest trailer rental fleets in the country.

From a financial perspective, I am pleased that we have not only maintained our position but, with the inclusion of Cartwright, we grew our EBITDA on the prior year by £2.0m. That represents a rise of 3.4% to £58.1m and is ahead of our own budgetary expectations.

Most heartening has been the progress we have made during the year on the delivery against our commitment to help the UK speed up its transition towards electric transport. Zenith's own company car fleet will be EV-only by 2025 and we have targeted 2030 as the year when all of our funded car fleet will be zero emission. Within the company itself, Zenith's greenhouse emissions fell by 48% during the year to 305 tonnes of CO_2e and, through carbon offsetting, I'm thrilled that we have been recognised by

Carbon Footprint as being a carbon neutral business this year too.

The urgency of the shift towards net zero has only gathered pace over the course of the past year. Businesses large and small are coming under increasing pressure to report their emissions and investors are increasingly using ESG-related data to inform their decisions on who to invest in. And thanks to our deep experience and track record of helping our customers manage and optimise their fleets, we are ideally placed to give our customers the advice they need to help them chart their own courses as they transition from combustion engines to electric and alternative fuels.

While there are necessary and important conversations happening about the future of work, I am convinced that, whether it’s an office, production plant or distribution centre, the workplace will continue to be an integral part of people’s working lives. But regardless of whether people are shifting en-masse to two or three days a week in the office, they will still need to get to work on those days. And with the pandemic front of mind, travelling in the safest way possible will remain a priority for many, with cars offering the greatest peace of mind in that respect.

As we look ahead, I am honoured to be part of a resilient business that is leading the charge in the categories in which we operate. We have grown while continuing to perform robustly and our relationships with our customers continue to strengthen.

I and the entire Zenith team look forward to the coming year with confidence.

Tim Buchan, Chief Executive Officer
27 August 2021

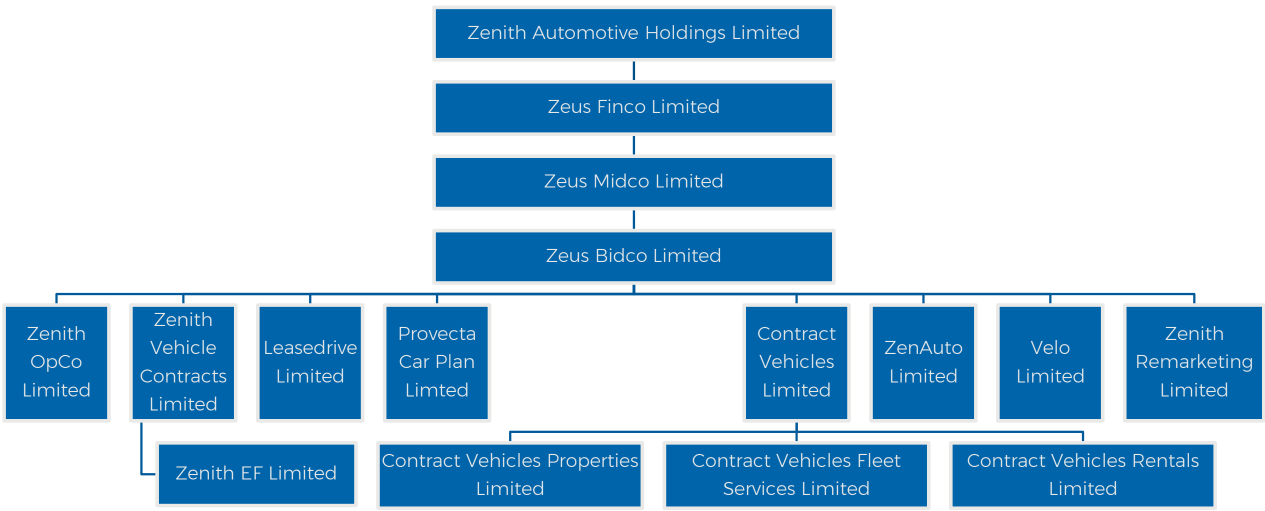
OWNERSHIP

The group structure is set out below. Each company in the structure is 100% owned.

Exhibition Finance plc (formerly known as Bifurcate Funding Limited) and Vehicle Titleco Limited are also consolidated into the Group within these consolidated financial statements. These two companies form part of the legal structure under the securitisation facilities used to provide vehicle funding to the Group but are not owned by the Group.

Zenith Automotive Holdings Limited is owned 27% by management and 73% by BEV Nominees Limited, a Bridgepoint company. BEV Nominees Limited is owned by a number of limited partnerships comprising the Bridgepoint Europe V Fund.

Bridgepoint is a major international alternative asset fund management group, focused on the middle market, providing private equity and private debt lending solutions. Bridgepoint focuses on acquiring or investing in businesses with strong market positions and earnings growth potential where significant additional value can be created through expansion and operational improvement. With c.€26 billion of assets under management, Bridgepoint invests internationally in six principal sectors: business services, consumer, financial services, healthcare, medtech & pharma, manufacturing & industrials and digital, technology & media - via a platform of offices in Europe, US and China.



BUSINESS MODEL & ACTIVITIES

Historically, Zenith focused on the company car and light van fleet sector for corporate customers, but developments (via organic growth and acquisition) over recent years have added capabilities across all asset types, service offers and funding options. This includes business-to-business (B2B), business-to-consumer (B2C) and business-to-employee (B2E) services.

In terms of asset class, this means supporting everything from business-critical fleets to consumer cars and from the largest heavy goods vehicles, through to light commercial vehicles, motorbikes and the smallest city car. This opens up a significant proportion of the UK's c. 40 million vehicle parc as our addressable market.

Zenith manages a fleet of approximately 150,000 vehicles and focuses on:

- Serving blue chip corporate customers with fleets of usually over 100 vehicles, across business fleets and salary sacrifice schemes principally on a fully outsourced and sole supply basis;
- Serving commercial customers with business-critical HGV and specialist vehicle fleets; and
- Serving consumers through the ZenAuto and ElectricAuto brands providing personal contract hire (PCH) vehicles.

Key elements of our business model which deliver success in our markets are:

- Zenith is the leading multi-asset vehicle funder and manager in the UK, providing mobility as a service (MaaS) ranging from one day to eight years or longer;
- Zenith has over 30 years of experience and over 1,000 employees. Vehicles and drivers are kept legally compliant and mobile 24 hours a day, 365 days a year;
- Zenith's consumer brands, ZenAuto and ElectricAuto, have continued to grow strongly during the year and deliver Personal Contract Hire ("PCH") direct to the consumer market;
- Zenith acquired the fleet services and trailer and specialist rental operations of the Cartwright Group during the year. In combination with our existing commercial vehicle business, this created the UK's largest HGV and specialist fleet with over 46,000 vehicles and one of the largest trailer rental fleets in the UK, as well as a network of workshops, depots and mobile technicians to support our customers;
- Zenith is leading the transition by our customers away from fossil to electric and alternative fuels;
- Zenith's independence in ownership and funding relationships enables it to be agnostic to vehicle makers or funders, and provide the full range of vehicle and financing options available;
- Zenith's comprehensive model, in addition to vehicle leasing and fleet management operations, includes short-term hire and business process outsourcing on behalf of long-term partners.

Zenith's services include provision of vehicle funding, vehicle maintenance, fleet management, accident management, business process outsourcing, short-term hire and fleet consultancy, with bespoke packages tailored to customer requirements.

MISSION, VISION & STRATEGY

Zenith's mission is to decarbonise the UK vehicle parc by eliminating tailpipe emissions.

Zenith's vision is to be the benchmark by which quality service is measured within our industry. Zenith will make a difference to society through a strong Environmental, Social and Governance (ESG) agenda and a transition of the existing funded car fleet to carbon neutral by 2030. Zenith will own the new and used consumer personal contract hire (PCH) sector; the company car and salary sacrifice sector; and the HGV and fleet management sector. Zenith will become a Top 100 company in The Sunday Times Best Company ratings. Zenith will also provide shareholders with the returns to encourage continuous investment in our business.

The Group vision is designed to be simple in its nature and to signpost the future intentions of the group, alongside guiding the core business strategy, as follows:

1. Embed ESG at the centre of our culture.

- Develop both ESG and decarbonisation roadmaps that support our strategy, ensuring they are embedded within our culture and drive our actions.
- Establish Zenith as a thought leader in the transition to zero emissions vehicles.

2. Grow the funded fleet and its recurring revenue.

- Delivering a one-stop-shop solution for multi-asset fleets delivering a 'best-in-class' proposition.
- Win more company car, LCV and salary sacrifice business by leading the sector in the transition to electric.
- Grow our HGV and specialist vehicle business in our Commercial division, including ongoing growth in the trailer rental market.
- Grow our B2C offering via the ZenAuto and ElectricAuto channels.

3. Grow ancillary, non-risk revenue.

- Retain existing long term contracts and secure and implement new, large fleet customers.
- Build our Commercial vehicle fleet management capabilities and drive new revenue from mobile technical capacity and workshops.

4. Deliver a single, multi- asset management tech platform, on a scalable basis

- Develop our leading technology capabilities further, to deliver operating and customer-centric platforms that support fleet growth, diversity and business growth.

5. Deliver a funding structure that is stable, scalable and competitive.

- Implement funding facilities that are competitive and scalable for future fleet growth across all divisions.

6. Attract, engage and develop our people

- Develop our employee proposition, including our "agile working" programme.
- Enhance the capability and performance of our people through an industry leading talent offer.
- Enhance our colleague experience through a winning and inclusive culture.
- Achieve and maintain Sunday Times Top 100 Best Companies status.

EMPLOYEES

We are committed to retaining and developing our employees.

As recognition of our achievements, Zenith has been listed in the following 'Sunday Times Best Companies' results for 2021:

- As a two-star Best Companies accredited business based on employee feedback for the year;
- In the Top 20 best companies to work for in Business Services sector; and
- In the 75 best companies to work for in Yorkshire & the Humber.

The Group has a very active employee engagement programme, of which we are immensely proud.

Zenith's Academy provides learning and development opportunities to all our people. All employees have access to the Zenith Academy which has provided a broad range of training from finance and marketing to MBA, leadership and coaching courses.

We support our employees through all aspects of their journey with us from our award-winning induction programme to BVRLA industry courses and coffee mornings for new and expectant parents.

Zenith is committed to developing future talent through apprenticeships, as shown through the continued expansion and success of our apprenticeship programme. Through the period, we won several awards for our apprenticeship programme including the Princess Royal Training Award. We were also ranked in the UK's top 100 Apprenticeship Employers in the National Apprenticeship Awards. In addition we are participating in the government's Kickstart scheme to provide new jobs for 16-24 years olds who are at risk of long-term unemployment.

We have continued to run our Women in Leadership programmes this year which we are proud to be supporting.

Our employees' health could not be more important to us. We have an in-house GP and have over 40 employees across all levels of the organisation who are trained mental health first aiders.

We recognise that a diverse and inclusive workforce will bring a wealth of experience, skills and ideas to the company. We know that an inclusive environment is a place where teamwork and co-operation thrive resulting in a more productive workforce. We are committed to promoting inclusivity, equality and diversity in everything that we do, be that procedures, policies or practice. We are proud to have a Diversity and Inclusion Committee made up of employees from across the business, at all levels, who have a genuine passion to ensure that inclusion and diversity are at the forefront of minds.

ENVIRONMENT & CORPORATE SOCIAL RESPONSIBILITY (CSR)

Zenith is committed to ensuring that its business practices have positive impacts on the community and the environment.

Zenith is dedicated to maintaining high ethical and moral standards and to ensuring that we act in accordance with responsible social behaviour.

The three core objectives of our Environmental and CSR policy are:

- To sustain the environment;
- To conduct our business in an ethical and responsible manner; and
- To support the community, both locally and within our industry sector.

At Zenith we regularly hold fundraising events for charitable causes. Despite the challenges of COVID-19 and the multiple lockdowns during the year, we have continued our support for these events, such as supporting Macmillan's coffee morning.

The following pages set out our actions and commitments to ensure that we lead our industry in delivering our environmental and CSR responsibilities.

ENVIRONMENT

We have established an ESG committee to support the delivery of the Group's ESG strategy. One of the key objectives of the committee is to achieve our vision of transitioning the existing funded fleet to carbon neutral by 2030. The core strategy is to deliver both an ESG and a decarbonisation roadmap which are measurable, transparent and which establish Zenith as 'best in class'.

In addition, our ESG strategy includes carbon-offsetting and gained carbon neutral certification in July 2021. We are working with the science based targets initiative (SBTi) to ensure we reduce our relevant emissions and provide a framework so our suppliers and partners can do likewise.

As part of our range of services for customers, Zenith provides advice and technical information to encourage our customers to promote and incorporate the most environmentally friendly vehicles and practice within their core fleet policies. On behalf of our customers, our consultancy team:

- Introduces customer plans to transition to cleaner fuel types by assessing daily travel requirements compared with the electric vehicle range of available and planned future car and van releases;
- Helps customers to develop driver policies on the usage of electric vehicles that include eligibility and in-use responsibilities such as charging provisions;
- Makes it easier for drivers and consumers to move to electric vehicles by offering support with installing charge points through the utilisation of partnerships; and
- Evolves and develops propositions to remove the barriers for electric cars such as unrestricted trade-ups.

In terms of direct emissions, Zenith plans to switch its own company car fleet to 100% EV by 2025, five years ahead of the target date for the wider, funded fleet. Our Kirkstall Forge office, which is part of a multi-tenanted building, saw 80% of the waste at the site recycled in the last year.

Zenith Automotive Holdings Limited

Strategic Report

The table below includes our mandatory reporting of greenhouse gas emissions based on the new energy and carbon reporting framework. This is based on the Group's greenhouse gas emissions for the year 1 April 2020 to 31 March 2021, covering both our office sites (in Leeds and Solihull, though the latter was recently closed) and business mileage travelled by our employees.

Our methodology used to calculate our emissions is based on the 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance' issued by the Department for Business, Energy & Industrial Strategy (BEIS) and Department for Environment, Food & Rural Affairs (DEFRA).

Emissions from purchased electricity includes emissions from business mileage travelled in electric vehicles. There has been a substantial reduction in our carbon emissions during the year, largely as a result of lower energy usage in our offices and reduced business travel, a consequence of the COVID-19 lockdowns.

Greenhouse gas emissions data	**Tonnes CO_2e 1 April 2019 to 31 March 2020**	**Tonnes CO_2e 1 April 2020 to 31 March 2021**
Scope 1: Emissions from combustion of gas	140	116
Scope 1: Emissions from combustion of fuel for transport purposes	87	4
Scope 2: Emissions from purchased electricity	262	184
Scope 3: Emissions from business travel	97	1
Total Gross CO_2e	**586**	**305**
Intensity Ratio: Tonnes CO_2e emissions divided by total £1m revenue	1.34	0.69
Energy consumption kWh	1,122,997	788,820

COMMUNITY

Zenith aims to ensure that we support our local community and integrate our business values and operations to meet the expectations of our customers and the wider public. We understand that we have an impact on the communities in which we operate, and employees are encouraged to assist the local community. We have established a CSR focus group to develop and promote our CSR policy.

Zenith works with Leeds Ahead to take part in voluntary community focused projects, to assist with the social and economic regeneration of Leeds, including the opportunity to support students in a local school.

Each year our employees select a 'charity of the year' which our fundraising efforts through the year support. In this financial year, our chosen charities were Leeds Mind and Birmingham Children's Hospital.

We also encourage employees in their charitable endeavours such as supporting fund-raising events for colleagues and individuals.

We are delighted by the effort our people put into this and are encouraged by the feedback we receive from them in terms of the benefits they derive personally from being involved in these programmes.

ETHICS

Zenith believes strongly in the need for ethics in business and to have ethical practices and transparency in all our activities as well as those of our suppliers. These principles strongly reflect the values of the Company.

Zenith believes we have a responsibility in the market with key issues such as:

- To treat our customers with respect and fairness and act true to our values;
- To treat our partners and suppliers fairly and to establish long-term relationships that deliver value and high service levels to our end customers;
- To promote within the market the need for awareness of our industry's environmental impact on carbon emissions and to work closely with specialists to ensure that we are promoting carbon reduction strategies;
- To work closely with government and HMRC to ensure that we provide consistency and clarity to avoid either confusion or additional administrative costs for our customers; and
- To deliver our services through professional and trained personnel whose mandate is to exceed the clients expected level of service delivery. Our values are innovation, passion, agility, pride, drive and honesty.

TAX & HMRC

At Zenith we are proud of our service and ethics. Honesty is one of our core values and we apply this to our tax affairs and our dealings with tax authorities and tax advisors, in the same way we apply it to all our business activities.

We are committed to paying all the taxes that we owe, in accordance with the tax laws that apply to our operations. The way we report our tax affairs reflects the economic reality of the transactions we actually undertake in the course of our trade. Ultimately, we seek to pay the appropriate tax, at the right rate and at the right time. We believe that paying our taxes in this way is the clearest indication we can give of us being responsible participants in society.

We have built long-term relationships with our tax advisors and discuss with them new products and services to ensure the correct tax treatment is adopted. Our advisors also keep us updated on tax law as it evolves.

We respond to requests and enquiries from HMRC in an open, timely and professional manner. Where the tax treatment or reporting requirements of specific items are unclear, we always seek professional advice. The senior accounting officer and chief financial officer are involved in all these discussions.

EQUALITY

The Company is committed to promoting equality of opportunity and it's the Group's policy that there should be no discrimination, harassment or victimisation of any employee, job applicant, customer, service provider or member of the public because of one of the following protected characteristics: age, disability, gender reassignment, marital or civil partnership status, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

The Company has three main objectives:

- To encourage its employees to take an active role in combating all forms of unlawful discrimination, harassment and victimisation;
- To deter employees from participating in any such unlawful behaviour; and
- To demonstrate to all employees that they can rely upon the Company's support in cases of unlawful discrimination, harassment or victimisation at work.

The Group is fully committed to providing, so far as is practicable, a good and harmonious working environment that offers equal treatment and opportunities for all its employees and where every employee is treated with appropriate respect and dignity.

HUMAN RIGHTS & MODERN SLAVERY

Zenith recognises the right of every individual to liberty, freedom of association and personal safety and observes internationally recognised standards set out in the UN Universal Declaration of Human Rights and the International Labour Organisation (ILO) Conventions.

Zenith has a long-standing commitment to conducting business ethically and the prevention of slavery and human trafficking is an important part of that commitment. We take steps to ensure slavery and human trafficking are not taking place either in our organisation or our supply chain, with our policy being underpinned and supported by the following:

- A collaborative approach with our supply chain, which encourages transparency. We provide appropriate support, guidance and monitoring to tackle any reported issue. Serious or repeated violations may result in a termination of supply, reduced volume of business or non-inclusion in future tenders;
- Annual training for key stakeholders within Zenith;
- A supplier lifecycle and procurement policy incorporating pre-contractual supplier due diligence, comprehensive contractual agreements and periodic review;
- Supplier Code of Conduct;
- Annual risk assessment of the supply chain
- Whistleblowing procedures and a contractual requirement for direct suppliers to our operational business to monitor compliance and report any matters of concern;
- A third-party governance, risk and compliance (GRC) software system.
- A Supplier Governance and Risk Forum responsible for supply chain risk management and reviewing legislation and regulation changes that may impact Zenith's business or supply chain. These responsibilities for the forum include Modern Slavery.

GENDER PAY

We are pleased to report another improvement in our gender pay gap data for the year to March 2021. This improvement reflects the work taking place to address representation of women across our organisation, particularly developing our future pipeline of female leaders. We will continue to build on this by focusing on the initiatives in place specifically targeted at closing our gender pay gap and overall diversity in our business.

The gender pay gap calculation is not a comparison of pay between equivalent roles for which Zenith are committed to providing equal pay for equal work. Our pay policies and practice are designed to address any unconscious bias, particularly at the recruitment and review stage. This report sets out the measures we have taken to close the gender pay gap and our ongoing actions to further address it.

Zenith is made up of several legal entities with their own employees. Of these, one company has more than 250 employees: Zenith Vehicle Contracts Limited with 541 employees. Under the regulations we are required to report our gender pay gap for this entity, as set out below.

Gender Pay Gap	2017	2018	2019	2020	Var 17-20
Mean	24%	20%	19%	11%	-55%
Median	18%	14%	9%	5%	-72%

Bonus Pay Gap	2017	2018	2019	2020	Var 17-20
Mean	32%	8%	12%	19%	-41%
Median	25%	26%	12%	0%	-100%

The data reported above relates to the year to 5 April 2021.

Our industry is traditionally male dominated however, we are on a mission to change this and will not accept this as a reason for a lack of progress. Whilst we are confident that our opportunities are equally available to men and women, we recognise we have to do more to support colleagues from under-represented groups to succeed in a traditionally male dominated environment.

In response to this we have several initiatives including:

- A long-term strategic people plan to launch in 2021 with Inclusion as a strategic priority of the Board and our colleagues.
- Implementation of a strategic talent management approach to identify our talent and create opportunities for progression.
- Launching a new Agile approach to flexible working, which we know will support the careers of all colleagues, but particularly those of women.
- Recruitment training with hiring managers to increase awareness of the importance of hiring from a diverse talent pool.
- A review of our recruitment agency relationships to partner with organisations that share the same vision as us and will go the extra mile to present more diverse shortlists.
- An internal development programme and mentoring, particularly focused around under-represented groups; and
- Enhanced family leave pay.

Zenith Automotive Holdings Limited

Strategic Report

For the reporting period of this annual report the number of employees in the Group can be broken down as follows:

Gender Breakdown	March 2018	March 2019	March 2020	March 2021
Director				
Female	1	1	1	2
Male	17	20	17	26
Senior Manager*				
Female	34	25	30	41
Male	48	41	38	52
Employee				
Female	317	311	303	344
Male	302	341	353	556
Total	**719**	**739**	**742**	**1,021**

*Senior managers are managers in the business with direct reports.

STAKEHOLDER ENGAGEMENT

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

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

The below section acts as our Section 172(1) statement. It lists our key stakeholder groups, their priorities, how we engage with them and actions the Board has taken following feedback, to promote the success of the Company for the benefit of its members as a whole.

Our customers – as a service-centric business our customers are at the centre of our decisions. Our customers expect a best-in-class service from us, which we aim to deliver. With dedicated contacts for our commercial fleets, extensive customer care resources for consumers, and a business structured around our services we can meet our customer needs, be that at a fleet manager level or an individual driver. As one of our non-financial KPIs, customer satisfaction is reviewed by the Board monthly. Linking this measure into our employee bonus scheme ensures customer satisfaction is considered in our employee's actions and is at the forefront of our decision-making. This focus on our customers has led us to win the FN50 Customer Service Individual award and be highly commended in the Great British Fleet Awards for our Innovation in Customer Service in the past two years.

Our employees – to deliver our excellent service levels, the company relies on its dedicated team of employees. Our colleagues value roles in which they can learn and develop, a competitive benefits package, as well as a diverse, inclusive and safe environment in which to work. We engage with our employees across a number of platforms including our annual employee survey. We run programmes to support our colleagues across the organisation including our apprenticeship programme. We offer courses which encourage diversity including our women in leadership course and offer various wellbeing tools.

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

Our community and environment – we aim to keep our communities mobile and safe. A decision was made by the Board to set a new target to transition 100% of our own company car fleet to electric vehicles by 2025. Further information on our interactions in our communities and environment can be found within the Corporate Social Responsibility section of the Strategic Report.

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

Our owners – our owners are highly supportive of well-considered investment decisions which will help us achieve desired growth in our business and ultimately enable a return on investment. Employee engagement in the performance of the business is encouraged through the employee share scheme. Both the management team and Bridgepoint have representation on the Board so are involved in decisions being made. Our vision and strategic priorities are set to enable us to achieve our growth requirements whilst balancing this with the requirements of our other key stakeholders.

NET DEBT & COVENANTS

On 31 March 2021, the Group was funded by the following facilities:

- External, term bank debt of £434m. This is repayable on 31 March 2024.
- External Loan Notes of £289m (held in Zeus Finco Limited) and Preference Shares of £272m (held in Zenith Automotive Holdings Limited). These are owned by the shareholders of Zenith. Interest is calculated monthly and annually rolled and added onto the balance rather than being cash-settled. These instruments will be repaid in the event of a sale of the Group or after a 20-year period ending 31 March 2037.
- Cash and cash equivalents of £19m.
- The Group also has a Revolving Credit Facility (RCF) of £60m available until 31 March 2023. At 31 March 2021 £20m was drawn on this facility. There is a leverage covenant which is measured once the RCF is more than 35% drawn and we must ensure that when tested the Consolidated Super Senior Secured Leverage Ratio* does not exceed 1.65:1.
- Excluding shareholder debt, the Group has net debt of £435m as at 31 March 2021.

* Consolidated Super Senior Secured Leverage Ratio is defined as drawn RCF divided by EBITDA.

CAPITAL STRUCTURE

As set out in the section above, the Group has £434m of external debt. The loan notes and preference shares total £561m and are held by the equity shareholders, including both Bridgepoint and Zenith employees.

This type of capital structure, with a mix of external and shareholder debt and wide employee share ownership, has been successful in supporting the growth of the business through six private equity transactions and ensuring high levels of employee engagement in the business.

PRINCIPAL RISKS & UNCERTAINTIES

The following are the principal risk areas in the business.

Interest Rate Risk	Controls
Interest on Senior debt is calculated on a floating rate and paid quarterly.	Our senior term debt currently stands at £434m and interest rate exposure is 65% hedged to fixed interest payments until June 2022. Management review the level of debt hedged, at inception of the hedge and are comfortable with the current level of variable exposure.
Managing interest risk on vehicle funding is critical. We provide vehicle finance to customers on a fixed interest rate basis on all contracts. Vehicles funded through securitisation are on a variable rate.	100% of agency and back-to-back funded deals (i.e. respectively: funding contracts for vehicles with Zenith as an intermediary (agent) with limited risk; and funding via a third party with Zenith taking contractual risk with the funder) are secured with fixed rate funding from banks. 100% of deals funded through securitisation are hedged by swapping floating rate costs for fixed rate across the term of the lease. The Group has effectively removed interest rate risk as a result and will consistently apply this policy.
Residual Value Risk	**Controls**
Residual value risk is the possibility that a lease asset (in this case, a vehicle) can only be resold or re-leased at a price below the asset's residual value .	Sophisticated external tools are used analysing CAP Gold Book, CAP Black Book, Autofutura Recalc-IT and internal intelligence based on historic data are used to set residual values.
	Fleets are categorised into volume tiers with high volume vehicles reviewed every three months, giving approximately 85% coverage and all vehicles covered at least annually.
	A Residual Value committee meets every three months to provide oversight, review the output of the above and challenge residual value positions.
Information security Risk	**Controls**
Zenith continues to respond to the COVID-19 threat. Existing defences and controls were employed as our workforce transitioned to a homeworking environment.	We ensure engagement and training through onboarding and with regular eLearning. These are used to reinforce our Information and Security Policies defined and approved by management.
	Our physical and logical access controls are designed with clear ownership, authorisation and audit procedures in place.

Maintenance Risk	Controls
Approximately 75% of our contracted units have fixed price maintenance contracts. The customer pays monthly in fixed instalments over the life of the lease to maintain the vehicle. On 22% of these contracts the customer or manufacturer retain the risk. On the remaining contracts, Zenith retains the risk of maintenance costs being higher than maintenance rentals collected.	We use data from industry benchmarks in conjunction with our own data to model the costs.
	There is a rolling review programme to ensure all vehicles are reviewed at least once per year. High volume vehicles have the most detailed review.
	Management monitor maintenance provisions quarterly using formulae from historic data to give an early indication of potential issues. Any change in profitability is picked up by this review and relevant actions taken.
Credit Risk	**Controls**
Zenith takes credit risk on customers to the extent it funds vehicles on either back-to-back or securitisation funding.	Our Credit Risk Team monitor and review credit risk reporting directly to the CFO. Every customer is reviewed at least annually to assess its creditworthiness..
	A detailed assessment of customers due for review is presented to the Credit Committee which meets monthly. Based on the review, individual credit limits are agreed, and funding strategies decided, according to the company's risk appetite. All new business opportunities are reviewed by our Credit Risk Team prior to tendering.
Liquidity Risk	**Controls**
Zenith perform regular cash analysis to understand cash requirements and ensure the group can access sufficient cash resources to meet our funding requirements and meet liabilities as they fall due.	Short- and long-term cash flow forecasts are regularly performed and reported to the board. Our facilities and their utilisation/headroom are also reported to the board monthly.
	Our Treasury Team monitor our cash position and this is reported to our Senior Management Team daily.

Regulatory Compliance Risk	Controls
Zenith assumes regulatory compliance responsibilities in two main areas: within our consumer business, in business process outsourcing and in ZenAuto, where we undertake regulated activities, and within our corporate business in employee car ownership schemes. This exposes the group to regulatory compliance risk, particularly where regulations alter, or the group's activities alter, and the business needs to respond with changes to systems or processes.	We have developed a quality control framework to ensure that our activities, behaviour and services comply with regulation.
	We ensure that our people are trained (including refresher training and regular updates) in regulatory risk areas. We also ensure that certain individuals within the business who have senior manager and similar responsibilities, under FCA regulations, undertake an annual check for "fit and proper" and certification purposes.
	We maintain a regulatory change heatmap to implement change on a timely basis.
	Our internal second line of defence, Group Compliance Team, undertakes independent Compliance Monitoring activities to assess adherence to regulatory requirements and provide assurance that we are delivering fair customer outcomes and mitigating conduct risks.

KEY PERFORMANCE INDICATORS

The directors use a series of financial and non-financial Key Performance Indicators (KPIs) to monitor the performance of the business.

EBITDA	Calculation
Creating value for shareholders is linked to growth in earnings before interest, tax, depreciation and amortisation (EBITDA). All employees participate in an annual bonus scheme which is linked to the Group's EBITDA performance against budget.	Monthly management accounts report EBITDA, measured on a consistent basis, for the consolidated group and each division.
Fleet Size	**Calculation**
The main way to grow EBITDA is to grow the fleet size and therefore measuring the movement in the fleet is key to the success of the business.	We have sophisticated business intelligence reporting solutions which report fleet sizes in real-time across our products, which are reviewed on at least a daily basis by our senior managers.
Customer Satisfaction	**Calculation**
One of the key strengths of the Group is the high levels of customer retention. One of our most important KPIs is our measurement of customer satisfaction. This is also a key element of the annual bonus scheme.	The Group uses state-of-the art, award-winning software to critically assess customer satisfaction indices.
Employee Engagement	**Calculation**
We are a service business and our employees are core to our success. Engagement scores are a key indicator of how we are performing. As a business we analyse in detail the results and identify opportunities to improve.	To objectively measure this, we take part annually in the Sunday Times Best Companies to Work For survey.

We have chosen not to disclose certain non-financial KPIs which we believe are commercially sensitive. In all other aspects the Directors consider the annual report and financial statements comply with the Guidelines for Disclosure and Transparency in Private Equity.

COVID-19

The Group's crisis management team started monitoring COVID-19 in January 2020. This prompt and thorough approach meant we were able to move to work from home a full two weeks before the UK Government imposed the first nationwide lockdown in the UK in March 2020 and that we could do so with minimal disruption or downtime in our systems or productivity. In the year to 31 March 2021, restrictions of varying severity were in place, including two further national lockdowns.

The professional and diligent approach of our managers across a period of years has resulted in excellent and robust business continuity plans. This has helped us to enable our workforce to work efficiently from home during the year, keeping our employees safe whilst also providing a high level of service to our customers. Whilst the country was in lockdown we experienced a decrease in our call volumes and resultant work load. As a result we utilised the government's furlough scheme to support employees we did not require during this period. We continued to pay all our employees 100% of salary during this time. In line with the 'roadmap' published by the UK Government, we are implementing a phased return to the office, together with an "agile" approach to our working environment.

At the beginning of the first lockdown, covenants relating to the Group's asset finance facilities were temporarily renegotiated to support corporate customer payment holiday requests and to implement the FCA guidance on providing consumers with payment deferral options. To date there have been minimal defaults in our portfolios and performance has been broadly in line with pre-COVID-19 levels

At the same time, in the very early stages of the pandemic's onset the Revolving Credit Facility was fully drawn as a precaution to proactively manage liquidity and strengthen the group cash position. The RCF was subsequently reduced to its current level as liquidity was not at any time stretched and it became clear that this was no longer required. The Group also exercised its senior debt facility arrangements to suspend the interest coupon for one quarter (which rolled-up into the principal), also as a precaution to protect the balance sheet amongst the uncertainty brought by lockdown restrictions. We also utilised the UK Government's VAT payment deferral scheme.

During the lockdown periods, the HGV business fulfilled its business-critical services, meeting increased demand from supermarkets, logistics and home delivery customer. The car and van division supported customers moving vehicle renewals into extension, continued to service its corporate customers and maintained order take.

All strategic initiatives have progressed, notwithstanding the circumstances, new business prospecting has continued, and the fleet is continuing to grow. Due to the nature of our business model, which is predominately leases of between three to five years to large corporate customers, the degree of visibility over our future earnings is high. We believe our success during the pandemic is a direct result of our robust strategy to diversify our group and that Zenith is well positioned to navigate any further periods of disruption caused by the COVID-19 pandemic.

GOING CONCERN

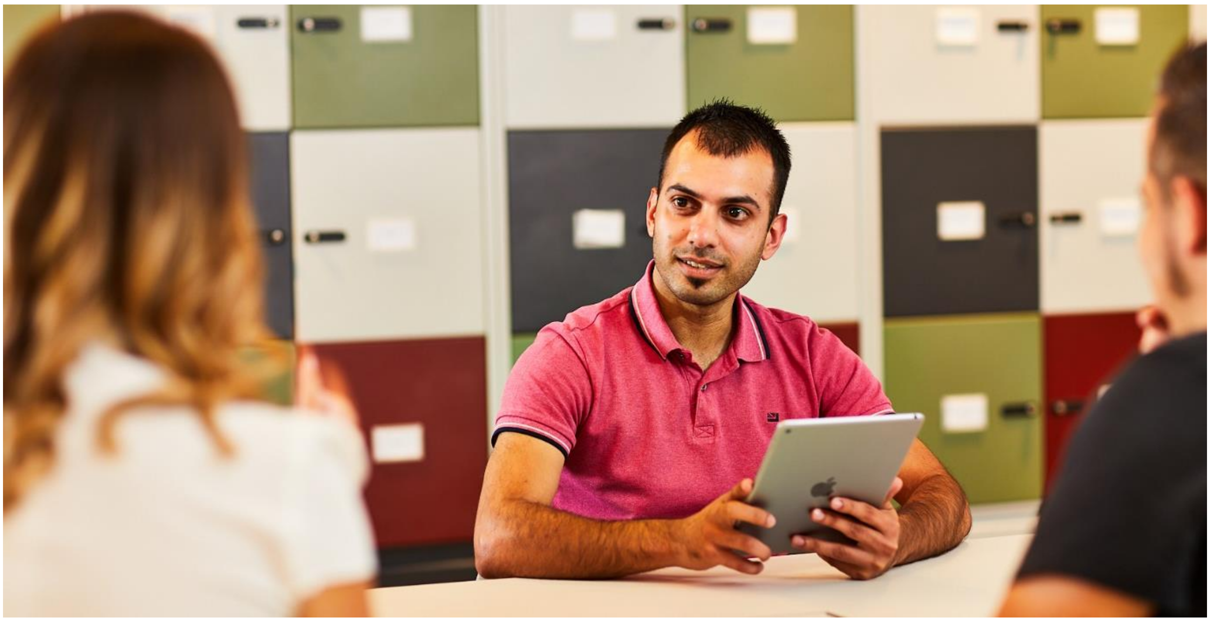
The Company makes use of bank facilities agreed on a Group-wide basis.

The Group has considerable financial resources to manage its operations, cash balances, headroom on its RCF and other day-to-day debt funding facilities and are compliant with our covenants (as noted in the net debt and covenants section above) with bank facilities repayable in March 2023 and 2024.

Following the year end, we have rearranged and significantly extended the securitisation facilities of the Group, which provide the bulk of our vehicle funding to customers in our corporate and consumer businesses. These new facilities enable us to expand our fleet and to create attractive opportunities for future growth across all of our divisions. The new securitisation facilities are on commercially attractive terms..

The Directors note that the Group is cash generative and have reviewed the forecasts which cover a period exceeding 12 months from the date of signature of the financial statements. This includes modelling of several scenarios, some directly or indirectly linked to the impact of COVID-19 on our markets. Under all of these scenarios the group maintains sufficient liquidity and covenant headroom.

On this basis, the Directors have a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.



BUSINESS REVIEW

Trading performance

In the year ended 31 March 2021, excluding the results of our emerging ZenAuto business, the Group delivered EBITDA* of £61.5m, up £3.2m, or 5.4% on the previous year. After incorporating ZenAuto, our statutory EBITDA was £58.1m (year ended 31 March 2020: £56.1m), an increase of £2.0m or 3.4%.

Statutory operating profit for the year was £1.3m (2020: £1.5m), after taking into account depreciation, amortisation of intangibles and goodwill and exceptional items.

The key drivers of growth in the year were a result of our resilient business model: high levels of recurring income, diversified and robust income streams and counter-cyclical elements of our earnings. This included increases in residual value profits (after the tightening of the used vehicle market, beginning during the first lockdown) and the flex of the fleet within our Corporate division into extended terms, as customers chose to prolong their lease agreements rather than renew.

An additional positive factor was the contribution of the former Cartwright businesses that now form our Commercial Vehicles Fleet Services and Commercial Vehicles Rentals businesses. Zenith incorporated these businesses on the acquisition of the fleet services and rental operations of the Cartwright Group in September 2020. We were particularly pleased by the performance of these businesses during the period after acquisition, and to welcome approximately 280 new colleagues to the group as a result of the acquisition.

Other parts of our group suffered from the consequences of the lockdowns and their impact on consumer behaviour and patterns of demand: namely, our business process outsourcing and short-term rental businesses. However, the downturn in the market for these divisions has since reversed after the lockdowns were lifted early into the new financial year and current trading is positive.

ZenAuto, our consumer brand, has continued to increase its fleet numbers and develop its business resources strongly during the year.

Strategic Report

With continued investment in our people, IT and marketing, ZenAuto contributed a loss of £3.4m to EBITDA (£2.2m loss in previous year), which was in line with our expectations as we invest to increase the scale and capacity of the business.

Net result

Because of the Group's structure, and the impact of acquisition accounting, despite EBITDA of £58.1m, the Group reported a loss after tax for the year of £99m (2020: £102m). This was a result of deducting non-cash items of £50m for amortisation of goodwill and intangibles (non-cash, acquisition accounting matters), and preference share and loan note interest of £63m (also non-cash items). The preference shares and loan notes are owned by the shareholders and not paid in cash until the instruments are redeemed. The Group is cash generative and is forecast to continue to be so for the foreseeable future.

Balance sheet, funding and liquidity

The Group balance sheet shows total assets of £1,581m (2020: £1,545m) including cash balances of £19m (2020: £74m, after drawing £60m on the Group's RCF).

We have a large and diversified pool of asset finance facilities available to us, to finance our leasing operations, which includes a significant element of committed facilities, and we have plenty of headroom with which to fund our ambitious growth plans. Our securitisation facilities, recently rearranged and extended, provide us with competitively-priced capital and sufficient firepower with which to develop our business across our corporate, commercial and consumer businesses.

Summary and outlook

The past year has possibly been the most challenging environment we have operated in since the creation of Zenith, not just for trading conditions, but for the impact on our employees, customers and partners. However, we are confident that our business model, our range of services and demand for vehicle mobility in general will be central to everybody's lives in future as restrictions imposed by the UK Government are lifted and the UK economy continues to recover from the effects of COVID-19 and the resulting lockdowns.

Our view is that the fundamental growth drivers of the market remain highly positive:

We are increasingly able to differentiate our service proposition helping us secure prominent new business and the Directors are confident that the Group can continue.

We are stable and well organised to capture market share across both corporate and consumer markets. We have some of the best-connected technology available and a highly experienced, agile, engaged team that is committed to continuing Zenith's future success.

This Strategic Report has been approved by the Board and signed on its behalf by:

M T Phillips, Chief Financial Officer
27 August 2021

* EBITDA is defined as operating profit before amortisation of goodwill, depreciation of tangible & intangible assets and exceptional items

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, short term rentals 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 2021.

The Group's operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill, intangibles and exceptional items is £58.1m (2020: £56.1m). This measure of profit (EBITDA) is an important KPI for the group.

The Group made a statutory operating profit of £1.3m (2020: £1.5m) and loss after tax for the period of £98.8m (2020: £102.4m), however this was after deducting non-cash items of £50.5m (2020: £49.4m) for amortisation of goodwill and intangibles, and preference share and loan note interest of £62.9m (2020: £57.3m). 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 led the strategy to launch Zenith's digital consumer leasing 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 EG Group, Majid Al Futtaim Retail based in Dubai, and Non-Executive Director of Time Out Group plc, and RM2 International S.A.

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. Emma is a Non-Executive Member of the UK Takeover Panel.

Guy Weldon is Non-Executive Director

Guy is the Group Managing Partner and Head of Investment activities at Bridgepoint. He is also a member of the Firm's Executive Committee and Investment Advisory Committee and is Chairman of Bridgepoint Credit. He currently sits on the boards of Hobbycraft and Zenith.

M K Patel is Company Secretary (appointed 1 April 2020)

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 2021.

Directors Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors during the period and these remain in force at the date of this report. The indemnity provisions are also for the benefit of directors of subsidiary undertakings.

Results and dividends

No dividends were paid in the year (2020: £nil) and no dividends have been declared during the year or post year end. 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.

Post balance sheet events

Following the year end, the Group has rearranged and significantly extended its securitisation facilities, which provide the bulk of the vehicle funding to customers in the corporate and consumer businesses. These new facilities will enable the Group to expand its fleet and to create attractive opportunities for future growth across all divisions. The new securitisation facilities are on commercially attractive terms.

Charitable and political contributions

During the year the Group made charitable donations of £28,857 (2020: £21,202), 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.

The directors' engagement with employees, regard to employees' interests and the influence of that on principal decisions taken by the Company are described in the Strategic Report.

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 and engagement

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. Further information can be found in the strategic report.

Zenith Automotive Holdings Limited

Directors’ report (continued)

Statement on business relationships

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of 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
27 August 2021

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 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 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 parent company’s affairs as at 31 March 2021 and of its 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 27.

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 (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

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- Impairment of goodwill and intangible assets – the procedures performed were evaluation of relevant key controls; use of valuation specialists to assess the reasonableness of discount rates; and use of sensitivity analysis to identify key assumptions used in the calculation and utilising internal valuation specialists to challenge them.
- Revenue recognition: Residual Values – the procedures performed were evaluation of relevant key controls; review of market data for a sample of vehicles to test the accuracy of the base residual values used; assessment of historical accuracy of residual values by reviewing subsequent sale values; and review of market data in relation to the current economic environment and the impact of COVID-19 and Brexit and considering how that impacts residual values.
- Accuracy of the maintenance provision - the procedures performed were evaluation of relevant key controls; recalculation of the maintenance provision rationalisation; and validation of key assumptions to underlying data, taking into consideration the impacts of COVID-19.

Independent auditor's report to the members of Zenith Automotive Holdings Limited (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing regulatory correspondence.

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

27 August 2021

Zenith Automotive Holdings Limited

Consolidated profit and loss account

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Turnover	3	491,123	444,636
Cost of sales		(387,908)	(348,196)
Gross profit		103,215	96,440
Operating expenses		(101,875)	(94,983)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items		58,075	56,145
Depreciation of owned tangible fixed assets	4	(5,909)	(5,299)
Amortisation of goodwill	4	(24,102)	(23,873)
Amortisation of intangible assets	4	(26,365)	(25,516)
Operating exceptional items	6	(359)	-
Operating profit	4	1,340	1,457
Finance costs (net)	5	(104,561)	(98,369)
Loss before taxation		(103,221)	(96,912)
Tax credit/(charge) on loss	9	4,376	(5,503)
Loss for the financial year attributable to the shareholders of the group		(98,845)	(102,415)

All results derive from continuing operations.

The accompanying notes 1 to 27 are an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2021

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss for the financial period	(98,845)	(102,415)
Hedge gains/(losses) arising during period (net of tax impact)	1,194	(3,826)
Total comprehensive expense attributable to the shareholders of the group	(97,651)	(106,241)

Zenith Automotive Holdings Limited

Consolidated balance sheet
As at 31 March 2021

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Fixed assets			
Goodwill	11	390,889	405,834
Intangible assets	12	383,200	408,199
Tangible assets	13	595,233	484,071
		1,369,322	1,298,104
Current assets			
Inventory	15	984	-
Debtors			
– due within one year	16	125,379	108,227
– due after one year	16	65,618	65,578
Cash at bank and in hand		19,213	73,568
		211,194	247,373
Creditors: Amounts falling due within one year	17	(469,451)	(306,379)
Net current (liabilities)		(258,257)	(59,006)
Total assets less current liabilities		1,111,065	1,239,098
Creditors: Amounts falling due after more than one year	18	(1,125,413)	(1,152,972)
Provisions for liabilities	19	(87,271)	(90,094)
Net liabilities		(101,619)	(3,968)
Capital and reserves			
Called up share capital	20	271,546	271,546
Share premium account		2,444	2,444
Hedging reserve		(2,815)	(4,009)
Profit and loss account		(372,794)	(273,949)
Shareholders' deficit		(101,619)	(3,968)

The accompanying notes 1 to 27 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 27 August 2021.

M T Phillips

Director

Zenith Automotive Holdings Limited

Company balance sheet

As at 31 March 2021

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Fixed assets			
Investments	14	32,508	32,508
Current assets			
Debtors – due within one year	16	324,087	303,800
Cash at bank and in hand		20	20
Creditors: Amounts falling due within one year	17	(3,855)	(3,654)
Net current assets		320,252	300,166
Total assets less current liabilities		352,760	332,674
Creditors: Amounts falling due after more than one year	18	(126,883)	(90,672)
Net assets		225,877	242,002
Capital and reserves			
Called up share capital	20	271,546	271,546
Share premium account		2,444	2,444
Profit and loss account		(48,113)	(31,988)
Shareholders' funds		225,877	242,002

The accompanying notes 1 to 27 are an integral part of these financial statements.

The loss for the year ended 31 March 2021 was £16,125,000 (2020: £11,455,000). 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 27 August 2021.

M T Phillips

Director

Zenith Automotive Holdings Limited

Consolidated statement of changes in equity
As at 31 March 2021

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 1 April 2019	271,545	2,439	(171,534)	(183)	102,267
Issue of share capital	1	5	-	-	6
Loss for the financial period	-	-	(102,415)	-	(102,415)
Hedges of variable interest rate risk (note 23)	-	-	-	(4,729)	(4,729)
Deferred tax credit	-	-	-	903	903
At 31 March 2020	271,546	2,444	(273,949)	(4,009)	(3,968)
Loss for the financial period	-	-	(98,845)	-	(98,845)
Hedges of variable interest rate risk (note 23)	-	-	-	1,474	1,474
Deferred tax charge (note 19)	-	-	-	(280)	(280)
At 31 March 2021	271,546	2,444	(372,794)	(2,815)	(101,619)

The accompanying notes 1 to 27 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 2021

	Called up share capital £'000	Share premium Account £'000	Profit and loss account £'000	Total £'000
At 1 April 2019	271,545	2,439	(20,533)	253,451
Issue of share capital	1	5	-	6
Loss for the financial period and total comprehensive income	-	-	(11,455)	(11,455)
At 31 March 2020	271,546	2,444	(31,988)	242,002
Loss for the financial period and total comprehensive income	-	-	(16,125)	(16,125)
At 31 March 2021	271,546	2,444	(48,113)	225,877

The accompanying notes 1 to 27 are an integral part of these financial statements.

Zenith Automotive Holdings Limited

Consolidated cash flow statement

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Operating profit		**1,340**	**1,457**
Adjustment for:			
Depreciation charges	4,13	109,844	93,966
Amortisation of goodwill and intangibles	11,12	50,467	49,389
Profit on sale of tangible fixed assets		7,760	(3,283)
Operating cash flow before movement in working capital		169,411	141,529
Capital repayment received from finance lessees		11,402	21,256
Increase in debtors		(20,365)	(6,179)
Increase in stock		(155)	-
Increase / (decrease) in creditors		34,451	(6,042)
Increase in provisions		2,114	864
Net cash inflow from operating activities		**196,858**	**151,428**
Income tax paid		**(2,301)**	**(4,063)**
Cash flows from investing activities			
Proceeds from sale of operating lease assets		124,132	131,435
Purchase of operating lease assets		(37,034)	(61,671)
Purchase of operating lease assets (funded)		(323,774)	(245,072)
Purchase of intangible assets		(1,369)	(4,302)
Acquisitions		(10,490)	-
Net cash flows from investing activities		**(248,535)**	**(179,610)**
Cash flows from financing activities			
Issue of share capital		-	6
Repayments of borrowings		(289,073)	(190,742)
Drawdown of funding		323,774	245,072
Interest paid		(35,078)	(29,551)
Bank loans raised		-	60,000
Net cash flows from financing activities		**(377)**	**84,785**
Net increase in cash and cash equivalents		**(54,355)**	**52,540**
Cash and cash equivalents at start of the year		73,568	21,028
Cash and cash equivalents at 31 March		**19,213**	**73,568**

Cash and cash equivalents include amounts in respect of Exhibition Finance plc (formerly Bifurcate Funding Limited) and Vehicle Titleco Limited of a total of £6,832,000 (2020: £4,882,000) that are not freely available for use by the Group.

The accompanying notes 1 to 27 are an integral part of these financial statements.

Zenith Automotive Holdings Limited

Notes to the financial statements

For the year ended 31 March 2021

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 28. 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 IFRS 9 for classification and measurement of financial instruments and hedge accounting.

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

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

For the Group's floating rate debt, the Group has started discussions with our funders to amend the funding contracts so that the reference benchmark interest rate will change to SONIA. The Group aims to finalise these amendments in the second half of 2021.

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.

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 of the Group 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. This includes the impact of the extended securitisation facilities (see post balance sheet events in the Director's Report and note 27).

1. ACCOUNTING POLICIES (continued)

c. Going concern (continued)

Due to the nature of the Group's business model, which is predominately leases of between three to five years to large corporate customers, the degree of visibility over our future earnings is high. As a result, we believe our success during the Covid-19 pandemic is a direct result of our robust strategy to diversify our group and that Zenith is well positioned to navigate any further periods of disruption caused by the COVID-19 pandemic.

More details can be found in the Strategic Report of the consolidated accounts of the group.

The directors continue to closely monitor the potential impacts of COVID-19 and the economic consequences. We have not identified any material adjustments to balances included in these financial statements.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

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 in line with the IFRS 9 impairment policy below.

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

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

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.

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	10-25% per annum - reducing balance
Vehicles leased to customers	Over the term of the lease - 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.

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.

l. Intangible assets – computer software

Computer software is stated at cost, net of amortisation and any provision for impairment, this value is capitalised and written off on a straight-line basis over its useful economic life, which is judged to be five years.

1. ACCOUNTING POLICIES (continued)

m. Intangible assets –impairment

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ("CGUs") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis. Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

n. 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 principal 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 principal 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.

1. ACCOUNTING POLICIES (continued)

n. Financial instrument (continued)

Impairment of financial assets

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

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

Write off policy

The 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.

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.

1. ACCOUNTING POLICIES (continued)

n. Financial instrument (continued)

Hedge accounting

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

o. 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.

p. Loss attributable to the Company

The loss for the year ended 31 March 2021 dealt with in the financial statements of the parent Company was £16,125,000 (2020: £14,310,000). 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.

1. ACCOUNTING POLICIES (continued)

q. Exceptional items

Exceptional items are those costs or income 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.

r. Finance costs

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

s. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Expenses incurred as a direct cost of investment are added to the cost of acquisition. Other acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

t. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, and based on the first-in, first-out principle. There is no overhead absorbed in the valuation of inventories.

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 and intangible assets

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 and acquired intangible assets have 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. This includes an assessment of Covid-19 and an estimate of reasonably possible sensitivities in reaching the conclusions of the review. The carrying amount of goodwill at the balance sheet date was £390,888,000 (2020: £405,834,000). No impairment loss was recognised during the year ended 31 March 2021 (2020: £nil). The carrying amount of acquired intangible assets at the balance sheet date was £372,744,000 (2020: £396,041,000). No impairment loss was recognised during the year ended 31 March 2021 (2020: £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 2021 amounts to £18,851,000 (2020: £15,237,000).

3. TURNOVER

An analysis of the Group's turnover by class of business is set out below:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Long term leases	308,313	267,839
Vehicle sales	126,254	128,450
Other*	56,556	48,347
	491,123	444,636

*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 2021 £'000	Year ended 31 March 2020 £'000
Depreciation of tangible fixed assets (note 13)		
Owned	4,505	4,261
Company cars	1,404	1,038
Held under finance leases and hire purchase contracts	103,835	88,667
Operating lease rentals	1,769	1,769
Impairment of trade debtors	274	32
Amortisation of goodwill (note 11)	24,102	23,873
Amortisation of intangibles (note 12)	26,365	25,516
Operating exceptional items (note 6)	359	-

4. OPERATING PROFIT (continued)

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Fees payable to the Company's auditor and its associates for:		
- the audit of the Company's annual accounts	26	22
- the audit of the Company's subsidiaries	252	179
Total audit fees	278	201
Taxation compliance services	84	97
Other taxation advisory services	89	38
Corporate finance fees	620	38
Total non-audit fees	793	173
Total Fees	1,071	374

Notes to the financial statements (continued)

For the year ended 31 March 2021

5. FINANCE COSTS (net)

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Bank loans, loan notes, preference shares and overdrafts	104,561	98,369
Finance costs (net)	104,561	98,369

6. EXCEPTIONAL ITEMS

The Group incurred the following exceptional items:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Acquisition integration costs*	590	-
Onerous lease and exit costs**	(231)	-
Total exceptional items	359	-

* These costs relate to separation and integration costs related to the acquisition of the trade and assets of the former Cartwright trading operations by Contract Vehicles Fleet Services Limited and Contract Vehicles Rentals Limited. See note 10.

** The group made a provision for exceptional costs relating to office re-locations, these were costs associated with onerous lease costs for the building and car parks and an estimate of dilapidations costs. These costs were expensed as operating costs in 2020 for statutory purposes. This is the release of the amount which was unutilised.

7. STAFF COSTS

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

	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
Office, sales and management staff	966	670

Their aggregate remuneration comprised:	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Wages and salaries	31,611	24,759
Social security costs	3,218	2,287
Other pension costs (see note 22)	1,364	1,242
	36,193	28,288

There are no employees in Zenith Automotive Holdings Limited company.

8. DIRECTORS' REMUNERATION AND TRANSACTIONS

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Directors' remuneration		
Emoluments	974	691
	974	691

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	-	-

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Remuneration of the highest paid director:		
Emoluments	461	279

9. TAX ON LOSS ON ORDINARY ACTIVITES

The tax charge comprises:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current tax on loss		
UK corporation tax	2,633	1,946
Adjustment in respect of previous periods	(379)	(278)
Total current tax	2,254	1,668
Deferred tax		
Origination and reversal of timing differences	(5,504)	(4,641)
Adjustment in respect of previous periods	(1,126)	9
Effect of changes in tax rates*	-	8,467
Total deferred tax	(6,630)	3,835
Total tax (credit) / charge on loss per income statement	(4,376)	5,503
Other comprehensive income items:		
Deferred tax current period charge / (credit)	280	(903)
	280	(903)

The standard rate of tax applied to reported loss is 19% (2020: 19%).

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year. Previously enacted corporation tax rates were due to be reduced from 19% to 17% from 1 April 2020. However, the 2020 Finance Act confirmed that the rate of corporation tax was to remain at 19% from 1 April 2020, cancelling the enacted cut to 17%. The cancellation of the rate cut was enacted in March 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, and as a result deferred tax balances as at 31 March 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing DT position would be to increase the deferred tax liability by £21,606,000.

9. TAX ON LOSS ON ORDINARY ACTIVITES (continued)

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss before tax	(103,221)	(96,912)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(19,612)	(18,413)
Effects of:		
- Expenses not deductible for tax purposes	16,740	15,718
- Adjustment in respect of previous periods	(1,504)	(269)
- Effects of other tax rates / credits	-	8,467
Total tax (credit) / charge for year	(4,376)	5,503

10. ACQUISITIONS

On 22 September 2020, the Group acquired certain trade and assets of the trailer rentals operations previously carried on by a subsidiary of the Cartwright group of companies (in administration), namely Cartwright Rentals Limited and Cartwright Finance Limited (both in administration). The acquisition of the trailer rental assets was made simultaneously with the acquisition by the Group of the trade and assets of Cartwrights Fleet Services Limited and Cartwrights Fleet Services (Glasgow) Limited (both in administration). These acquisitions were made by newly-incorporated subsidiary companies of the Group. The cost of investment of £5.8m (in total) in respect of the trailer rental assets and operations acquired by Contract Vehicles Rentals Limited, and £4.7m (in total) in respect of the fleet services assets and operations acquired by Contract Vehicles Fleet Services Limited, was financed by inter-company funding provided by the Group.

The newly-acquired businesses form the Commercial division of the Group, together with Contract Vehicles Limited.

The group also incorporated a new company, Contract Vehicles Properties Limited, on 3 December 2020 for the purposes of the purchase of a property used by the Contract Vehicles Fleet Services Limited business. This forms part of the Commercial division of the Group, but was not involved in the acquisition of the trade and assets described above.

10. ACQUISITIONS (continued)

Effect of acquisitions: acquisition by Contract Vehicles Rentals Limited

	Pre-acquisition carrying values	Fair value adjustments	Provisional fair values on acquisition
	£'000	£'000	£'000
Tangible assets	2,913	(2,451)	462
Provisions for liabilities	-	(200)	(200)
Net identifiable assets and liabilities	2,913	(2,651)	262
Goodwill on acquisition			**5,547**
Total consideration			**5,809**
Satisfied by:			
Fair value of consideration paid in cash			5,700
Other costs of investment			59
Deferred consideration paid			50
Total consideration			**5,809**

10. ACQUISITIONS (continued)

Effect of acquisitions: acquisition by Contract Vehicles Fleet Services Limited

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	Pre-acquisition carrying values £'000	Fair value adjustments £'000	Provisional fair values on acquisition £'000
Tangible assets	2,176	(634)	1,542
Inventory	1,552	(722)	830
Provisions for liabilities	-	(1,300)	(1,300)
Net identifiable assets and liabilities	3,728	(2,656)	1,072
Goodwill on acquisition			**3,610**
Total cost of investment			**4,682**
Satisfied by:			
Fair value of consideration paid in cash			4,000
Other costs of investment			432
Deferred consideration paid			250
Total consideration			**4,682**

Goodwill arises on the acquisitions because of the continuing earnings capability, and the growth and synergy opportunities, created by the combination of the trade and assets of the company with those of the remainder of the Zenith commercial division, incorporating Contract Vehicles Limited, Contract Vehicles Fleet Services Limited and Contract Vehicles Rentals Limited. The assets acquired by the Group have a complementary and continuing trade attached to them, in the form of customer goodwill and the expectation (and prospect for the Group) of continuity of service. Thus, the ongoing support of a repeat customer base is the basis of the goodwill acquired. No lease obligations (or assets related thereto) were acquired as part of the acquisition, since these were retained by the vendor, and assigned or entered into anew by the Company and the third party funder in the period following acquisition.

10. ACQUISITIONS (continued)

Fair value adjustments

The Group has reviewed the fair value of the assets acquired and used the following basis of valuation in respect of each asset class:

- Leased vehicles and trailers: using valuation expertise within the business (to assess specialised truck and trailer assets of this nature) to assess the comparable fair value of such assets based on industry norms;
- Leasehold improvements: a judgement of market value based on an arm's length transaction;
- Inventory: fair value, based on net realisable value and value-in-use of repairs and maintenance stocks, based on ageing profile and regularity of stock turnover; and
- Maintenance provision: an assessment based on asset age and condition, utilisation profile and the judgment of expertise within the Group to assess likely future expenditure based on historic norms and recent trends.

Deferred consideration

There was an element of deferred consideration in the purchase price for the trade and assets of the business, payable when particular a milestone was reached in relation to renegotiated leasehold property. There is no longer any deferred consideration outstanding.

Fair values determined on a provisional basis

The assets and liabilities acquired have been fair-valued on a provisional basis. The exercise to complete an assessment, and form a final judgement, on the maintenance provision, in particular, will continue in the new financial year, as the Company gathers more data about the nature and condition of the fleet and the profile of maintenance costs over the life of each asset. The fair values will accordingly be finalised in the year ending 31 March 2022.

Acquisition related costs

As part of the transaction, the Group incurred acquisition costs in the form of legal and accountancy fees and costs relating to due diligence and costs relating to transferring employees.

Contingent liabilities acquired

There were no contingent liabilities acquired as a result of the transactions.

Pro forma revenue and profit disclosures of acquired businesses

The Group is unable to present any *pro forma* revenue or profits of the business acquired, because the result of the businesses acquired has not been separately prepared, reported or managed on a standalone basis.

11. GOODWILL

Group:	**£'000**
Cost	
At 31 March 2020	477,465
Acquisitions	9,157
At 31 March 2021	486,622
Accumulated amortisation	
At 31 March 2020	71,631
Charge for the year	24,102
At 31 March 2021	95,733
Net book value	
At 31 March 2021	390,889

Company:

As at 31 March 2021 the Company only financial statements contain goodwill of £nil (2020: £nil).

12. INTANGIBLE ASSETS

Group	**Customer intangibles £'000**	**Computer software £'000**	**Total £'000**
Cost			
At 31 March 2020	465,931	15,361	481,292
Additions in the year	-	1,366	1,366
At 31 March 2021	465,931	16,727	482,658
Accumulated amortisation			
At 31 March 2020	69,890	3,203	73,093
Charge for the year	23,297	3,068	26,365
At 31 March 2021	93,187	6,271	99,458
Net book value			
At 31 March 2021	372,744	10,456	383,200

Amortisation of intangible assets is charged as an operating expense.

Company:

As at 31 March 2021 the Company only financial statements contain intangible assets of £nil (2020: £nil).

Notes to the financial statements (continued)

For the year ended 31 March 2021

13. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Equipment, fixtures and fittings £'000	Vehicles leased to customers £'000	Total £'000
Cost				
At 31 March 2020	-	23,743	498,084	521,827
Acquisitions	-	806	1,198	2,004
Additions	1,745	4,377	344,769	350,891
Disposals	-	-	(236,564)	(236,564)
At 31 March 2021	1,745	28,926	607,487	638,158
Accumulated depreciation				
At 31 March 2020	-	9,395	28,361	37,756
Charge for the year	-	4,605	105,239	109,844
Disposals	-	-	(104,675)	(104,675)
At 31 March 2021	-	14,000	28,925	42,925
Net book value				
At 31 March 2021	1,745	14,926	578,562	595,233
Net book value				
At 31 March 2020	-	14,348	469,723	484,071

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.

Tangible fixed assets of the Group include vehicles leased to customers under finance leases, hire purchase contracts and under the securitisation agreement.

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

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Within one year	116,631	123,232
Between one and five years	147,852	148,114
	264,483	271,346

No contingent rentals have been included as income.

Company:

As at 31 March 2021 the Company only financial statements contain tangible fixed assets of £nil (2020: £nil).

Notes to the financial statements (continued)

For the year ended 31 March 2021

14. FIXED ASSET INVESTMENTS

Company subsidiary undertakings:	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Cost and net book value	2,482	2,482

At 31 March 2021 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%*
Contract Vehicles Fleet Services Limited**	Ordinary	Vehicle leasing and related activities	100%*
Contract Vehicles Rentals Limited**	Ordinary	Vehicle leasing and related activities	100%*
Contract Vehicles Properties Limited**	Ordinary	Property holding company	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.

** These subsidiaries were all incorporated in the year ended 31 March 2021 with ordinary share capital of £1 only.

15. INVENTORIES

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Raw materials and consumables	984	-
	984	-

Raw materials and consumables relates to engineering spares, parts, consumables and other similar inventory assets used in the repair and maintenance of trailer units and similar vehicles.

Zenith Automotive Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 March 2021

16. DEBTORS

	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000	Group As at 31 March 2020 £'000	Company As at 31 March 2020 £'000
Amounts falling due within one year:				
Trade debtors	56,527	-	49,083	-
Amounts receivable under finance leases	-	-	1	-
Amounts receivable under hire purchase contracts	6,386	-	1,429	-
Amounts receivable under securitised contracts	12,358	-	18,212	-
Vehicles subject to repurchase agreements	11,355	-	13,173	-
Amounts owed by group undertakings	-	321,731	-	301,299
Other debtors	15,784	41	3,071	42
Corporation tax	2,696	-	2,325	-
Deferred tax	-	-	-	-
Fair value of hedging instruments	-	-	-	-
Prepayments and accrued income	20,273	2,315	20,933	2,459
VAT	-	-	-	-
	125,379	324,087	108,227	303,800
Amounts falling due after more than one year:				
Amounts receivable under hire purchase contracts	12,807	-	4,114	-
Amounts receivable under securitised contracts	24,699	-	25,911	-
Vehicles subject to repurchase agreements	25,306	-	31,556	-
Amounts owed by group undertakings	-	-	-	-
Prepayments and accrued income	2,806	-	3,997	-
	65,618	-	65,578	-
	190,997	324,087	173,805	303,800

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/(credited) to the income statement is £274,000 (2020: (£32,000)).

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

Notes to the financial statements (continued)

For the year ended 31 March 2021

17. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000	Group As at 31 March 2020 £'000	Company As at 31 March 2020 £'000
Obligations under finance leases and hire purchase contracts	41,579	-	37,385	-
Obligations under securitised contracts	304,887	-	178,064	-
Vehicles subject to repurchase agreements	11,355	-	13,173	-
Trade creditors	50,860	-	35,164	-
VAT	9,434	-	803	-
Other taxation and social security	1,267	-	1,052	-
Corporation tax	-	-	-	-
Withholding tax	412	-	-	-
Other creditors*	18,462	-	12,825	-
Fair value of hedging instruments	3,475	-	4,950	-
Accruals and deferred income	27,720	-	22,963	-
Amounts owed to other group undertakings	-	3,855	-	3,654
	469,451	3,855	306,379	3,654

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 £nil at 31 March 2021 (2020: £808,000) to cover onerous lease costs associated with an office relocation. See note 6 for further detail.

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

	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000	Group As at 31 March 2020 £'000	Company As at 31 March 2020 £'000
Bank loans	444,219	-	480,059	-
Obligations under finance leases and hire purchase contracts	22,728	-	6,229	-
Obligations under securitised contracts	227,343	-	292,090	-
Vehicles subject to repurchase agreements	25,306	-	31,556	-
Loan notes	278,934	-	252,366	-
Accruals and deferred income	126,883	126,883	90,672	90,672
	1,125,413	126,883	1,152,972	90,672

18. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

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

	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000	Group As at 31 March 2020 £'000	Company As at 31 March 2020 £'000
Obligations under finance leases and hire purchase contracts				
Within two to five years	22,728	-	6,229	-
On demand or within one year	41,579	-	37,385	-
	64,307	-	43,614	-
Obligations under securitised contracts				
Within two to five years	227,343	-	292,090	-
On demand or within one year	304,887	-	178,064	-
	532,230	-	470,154	-

19. PROVISIONS FOR LIABILITIES

	Deferred taxation £'000	Maintenance costs £'000	Total £'000
Group			
At 31 March 2020	74,857	15,237	90,094
Released to profit and loss account	(5,504)	-	(5,504)
Charged to profit and loss account	-	26,707	26,707
Released to other comprehensive income*	280	-	280
Adjustment in respect of prior years	(1,213)	-	(1,213)
Movement arising from the acquisition of business	-	1,500	1,500
Utilisation of provision	-	(24,593)	(24,593)
At 31 March 2021	68,420	18,851	87,271

* Relates to the valuation of derivatives in the statement of changes in equity.

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. See note 2 for further information.

Deferred tax

Deferred tax is provided as follows:	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Accelerated capital allowances	(1,672)	643
Short term timing differences	(730)	(1,034)
Non-trading timing differences	70,822	75,248
Provision for deferred tax	68,420	74,857

Non-trading timing differences:

Deferred tax liability directly relates to intangible assets (note 12). 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 2021 is £nil (2020: £nil).

Company

As at 31 March 2021 the Company only financial statements contain provisions of £nil (2020: £nil).

Notes to the financial statements (continued)

For the year ended 31 March 2021

20. CALLED UP SHARE CAPITAL

	As at 31 March 2021 £'000	As at 31 March 2020 £'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	-	-
319,026 D1 ordinary shares of £0.01 each	3	3
41,277 Deferred shares of £0.01 each	-	-
271,517,758 preference shares of £1.00 each	271,518	271,518
	271,545	271,545

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.

A reconciliation of share movements to 31 March 2021 is given below:

Type of shares	Ordinary	A Ordinary	B Ordinary	C Ordinary	D1 ordinary	Deferred	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	-	-
31 March 2020	-	-	-	-	67,625	-	-
31 March 2020	-	-	-	-	(41,277)	41,277	-
At 31 March 2021	-	1,999,999	424,375	18,345	319,026	41,277	271,517,758

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

Notes to the financial statements (continued)
For the year ended 31 March 2021

21. NOTES TO THE CASHFLOW

An analysis of the Group's net senior debt is set out below:

	As at 1 April 2019	Cash flows	Other non-cash charges	As at 31 March 2020
Cash at bank and in hand	21,028	52,540	-	73,568
Senior term debt	425,000	-	8,521	433,521
Senior revolving facility drawings	-	60,000	-	60,000
Unamortised loan arrangement costs	(16,827)	-	3,365	(13,462)
Net senior debt	**387,145**	**7,460**	**11,886**	**406,491**

	As at 1 April 2020	Cash flows	Other non-cash charges	As at 31 March 2021
Cash at bank and in hand	73,568	(54,355)	-	19,213
Senior term debt	433,521	-	795	434,316
Senior revolving facility drawings / (repayment)	60,000	(40,000)	-	20,000
Unamortised loan arrangement costs	(13,462)	-	3,365	(10,097)
Net senior debt	**406,491**	**14,355**	**4,160**	**425,006**

Net senior debt includes cash and cash equivalents and bank loans drawn under the Group's senior facilities agreement (term loan and revolving credit facilities), but excludes amounts payable to shareholders (loan notes and preference shares), finance leases and vehicle funding (including amounts drawn under the Group's securitisation arrangements).

22. FINANCIAL COMMITMENTS

Group

a) Capital commitments

At the end of the year the Group had contracted capital commitments of £165,545,940 (2020: £153,617,130) 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 2021 the amount secured under this guarantee was £nil (2020: £nil).

At 31 March 2021 the Group was committed to the future purchase of vehicles with a cost of £14,842,848 (2020: £5,885,405).

22. FINANCIAL COMMITMENTS (continued)

c) Buy back commitments

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

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Within one year	1,637	2,374
Within two to five years	1,372	2,865
	3,009	5,239

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 £1,364,000 (2020: £1,242,000). The amount unpaid as at 31 March 2021 was £211,000 (2020: £206,000).

e) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain properties. These leases have a life of between one and seven years remaining.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Amounts due:		
Within one year	1,769	1,768
Within two to five years	7,075	7,075
More than five years	2,653	4,422
	11,497	13,265

Company:

The Company has no financial commitments for the year ended 31 March 2021 (2020: £nil).

23. 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 2021 is a liability of £3,474,805 (2020: liability £4,950,030).

	2021 Group £'000	2020 Group £'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
• Derivative financial assets (see note 24)	-	-
Debt instruments measured at amortised cost		
• Loans receivable (see note 16)	92,911	94,396
Measured at undiscounted amount receivable		
• Loans receivable (see note 16)	75,007	54,479
As at 31 March	**167,918**	**148,875**

	Group £'000	Group £'000
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
• Derivative financial assets (see note 24)	3,475	4,950
Measured at amortised cost		
• Loans payable (see notes 17 and 18)	723,153	732,425
• Obligations under finance leases (see notes 17 and 18)	633,198	558,497
Measured at undiscounted amount payable		
• Trade and other creditors (see notes 17 and 18)	235,038	163,479
As at 31 March	**1,594,864**	**1,459,351**

The Company's financial assets and liabilities are measured at undiscounted amount receivable or payable except for Fixed asset investments in subsidiaries (note 14) which are classed as equity instruments and are measured at cost less impairment.

23. FINANCIAL INSTRUMENTS (continued)

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

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Fair value gains/(losses)		
On derivative financial assets designated in an effective hedging relationship	1,474	(4,729)
	1,474	**(4,729)**

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	As at 31 March 2021 £'000	As at 31 March 2020 £'000	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Group				
Derivatives that are designated and effective as hedging instruments are carried at fair value				
Interest rate caps	(280)	(493)	(3,195)	(4,457)

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 2021 %	**As at 31 March 2020 %**	**As at 31 March 2021 £'000**	**As at 31 March 2020 £'000**	**As at 31 March 2021 £'000**	**As at 31 March 2020 £'000**
Less than 1 year	0.6%	0.8%	80,635	70,371	(280)	(493)
1 to 2 years	0.5%	0.9%	76,031	59,098	(265)	(478)
2 to 5 years	0.5%	0.7%	472,020	417,692	(2,930)	(3,979)
			628,686	547,161	(3,475)	(4,950)

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.

Gains of £1,194,000 (2020: losses of £3,826,000) were recognised in other comprehensive income.

25. 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 leadership board.

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Salary and short-term benefits	3,336	2,226
Group contribution to money purchase pension scheme	76	65
	3,412	2,291

Amounts included in the table above reflect the remuneration of the 17 (2020: 12) key management personnel who are members of the holding and leadership boards.

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

26. ULTIMATE CONTROLLING PARTY

At 31 March 2021, the largest and smallest group in which the results of the Company were consolidated are these Group accounts.

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

27. POST BALANCE SHEET EVENTS

Following the year end, the Group has rearranged and significantly extended its securitisation facilities, which provide the bulk of the vehicle funding to customers in the corporate and consumer businesses. These new facilities will enable the Group to expand its fleet and to create attractive opportunities for future growth across all divisions. The new securitisation facilities are on commercially attractive terms.