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

Registered number: 07580101

Zenith Remarketing Limited

Contents

Zenith Remarketing Limited

Officers and professional advisers

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

Zenith Remarketing Limited

Strategic Report

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

Review of the business

The principal activity of the Company is the provision of remarketing services for passenger and light commercial vehicles.

During the year the Company delivered profit before taxation of £5,823,000 (2019: £6,559,000). The directors are satisfied with the performance of the business during the year.

The Company is consolidated into the results of the Group headed by its parent company, Zenith Automotive Holdings Limited.

Principal risks and uncertainties

The Company sells vehicles at the end of their lease on behalf of other group companies Zenith Vehicle Contracts Limited, Leasedrive Limited, Velo Limited, ZenAuto Limited, Contract Vehicles Limited and Provecta Car Plan Limited. Principal risks for the business include credit worthiness of its customers and the residual value risk taken when underwriting the value of vehicles at the end of leases.

When pricing a lease, we need to estimate what the vehicle will be worth at the end of the lease. This is called the 'residual value'. If we over estimate this value and ultimately sell the vehicle for less than its residual value, we will lose money. This is called the 'residual value risk'. Sophisticated external tools are used analysing CAP Gold Book, CAP Black Book, PointEstimate and internal intelligence based on historic data to set residual values. Fleets are categorised into volume tiers with high volume vehicles reviewed every 3 months, giving 85% coverage and all vehicles covered at least annually. A Residual Value committee meets every three months.

Zenith takes credit risk on customers to the extent it funds vehicles on either back to back or securitisation funding. We employ two credit analysts to monitor and review credit risk reporting directly to the CFO. Every customer is reviewed at least annually. A detailed review of customers due for review is presented to the Credit Committee which meets monthly. The Credit Analysts present to the CEO, CFO and Finance Director. Individual credit limits and funding strategies are agreed for each customer. All new business opportunities are reviewed by one of the Credit Analysts prior to tendering.

Key performance indicators

The directors use a series of Key Performance Indicators ("KPIs") to monitor the development and efficiency of the business. The key KPI for the Company is its Profit on ordinary activities before taxation, which is detailed above.

Going Concern

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

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

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

Zenith Remarketing Limited

Strategic Report (continued)

Going Concern (continued)

Due to the nature of our group wide business model, which is predominately long-term leases of between three to five years to large corporate customers, the degree of visibility over expected earnings and profitability is high. As a result, Zenith is well positioned to navigate this intense period of disruption caused by the COVID-19 pandemic. The financial modelling we have performed shows that we continue to trade cash positive as a result of our business model, long-term income streams and additional procedures we have put in place. These include close monitoring of customer credit risk, daily monitoring of residual values and a review of our supply chain for increased risk of failure. We have continued to keep our scenario model refreshed, as well as monitoring our results closely which show that our experience of payment holidays, vehicle sale volumes and profits continue to perform within our expected range. More details can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 14).

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

Section 172(1)

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

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

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

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

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

Section 172(1) (continued)

Working in the fleet industry we aim to keep our communities mobile and safe. A decision was made by the Board to set a new target to transition 100% of our own fleet to electric vehicles by 2025. Further information on our interactions in our communities and environment can be found within the Corporate Social Responsibility section of the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 14).

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

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

Future developments

The directors are confident that with the opportunities to provide services to the new retail and heavy goods vehicle parts of the Group in addition to the core vehicle leasing business and the investments that the Group is making in people and systems, the Company is very well positioned to continue to deliver growth in profitability and shareholder value.

Approved by the Board and signed on its behalf by:

M T Phillips
Director
30 July 2020

Zenith Remarketing Limited

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 March 2020.

Directors Indemnities

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

Results and Dividends

The Company made a profit before taxation of £5,823,000 for the year ended 31 March 2020 (2019: £6,559,000). No dividends were paid during the year (2019: £nil). There are no proposed dividends at 31 March 2020 and none have been proposed post year end.

Principal risks and uncertainties

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

Going concern

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

Further details regarding the adoption of the going concern basis can be found in the accounting policies in note 1 of the financial statements.

Post balance sheet events

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

Directors

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

T P Buchan
M T Phillips
R A Butler
M K Patel (Company Secretary) (Appointed 1 April 2020)
P J Rawnsley (Company Secretary) (Resigned 25 November 2019)

Future developments

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

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.

Charitable and political contributions

During the year the Company made charitable donations of £nil (2019: £nil). There were no political contributions in the current year (2019: £nil).

Statement on business relationships

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

Zenith Remarketing Limited

Directors' report (continued)

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.

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

Approved by the Board and signed on its behalf by:

M T Phillips
Director
30 July 2020

Zenith Remarketing 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 Remarketing Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Zenith Remarketing Limited
Profit and loss account
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover		46,142	59,290
Cost of sales		(39,087)	(51,575)
Gross profit		7,055	7,715
Administrative expenses	5	(446)	(372)
Operating profit		6,609	7,343
Interest payable and similar expenses	4	(786)	(784)
Profit before taxation	3	5,823	6,559
Tax on profit	6	-	-
Profit for the financial year attributable to the equity shareholders of the Company		5,823	6,559

All amounts relate to continuing operations.

The accompanying notes 1 to 15 are an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 March 2020

	2020 £'000	2019 £'000
Profit for the financial year	5,823	6,559
Total comprehensive income attributable to the equity shareholders of the Company	5,823	6,559

Zenith Remarketing Limited
Balance sheet
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible Assets	7	72,744	50,254
Current assets			
Debtors			
- due within one year	8	101,829	69,684
- due after one year	8	118,790	125,014
Cash at bank and in hand		184	-
		220,803	194,698
Creditors: Amounts falling due within one year	9	(101,078)	(86,518)
Net current assets		119,725	108,180
Total assets less current liabilities		192,469	158,434
Creditors: Amounts falling due after more than one year	10	(171,042)	(142,830)
Net assets		21,427	15,604
Capital and reserves			
Called up share capital	11	-	-
Capital contribution	11	1,250	1,250
Profit and loss account	11	20,177	14,354
Shareholders' funds		21,427	15,604

The accompanying notes 1 to 15 form an integral part of the financial statements.

These financial statements of Zenith Remarketing Limited, company number 07580101, were approved by the Board of Directors and authorised for issue on 30 July 2020.

M T Phillips
Director

Zenith Remarketing Limited
Statement of changes in equity
As at 31 March 2020

	Called Up Share Capital £'000	Profit and Loss Account £'000	Capital Contribution £'000	Total £'000
At 1 April 2018	-	7,795	1,250	9,045
Profit for the financial year and total comprehensive income	-	6,559	-	6,559
At 31 March 2019	-	14,354	1,250	15,604
Profit for the financial year and total comprehensive income	-	5,823	-	5,823
At 31 March 2020	-	20,177	1,250	21,427

The accompanying notes 1 to 15 form an integral part of the financial statements.

Zenith Remarketing Limited
Notes to the financial statements
For the year ended 31 March 2020

1. ACCOUNTING POLICIES

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

a. General information and basis of accounting

Zenith Remarketing Limited is a private Company limited by shares incorporated in the England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

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

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

Zenith Remarketing Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Zenith Remarketing Limited is consolidated in the financial statements of its parent, Zenith Automotive Holdings Limited, which may be obtained from the address in note 14. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel and related party transactions.

b. Going concern

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

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

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

Due to the nature of our group wide business model, which is predominately long-term leases of between three to five years to large corporate customers, the degree of visibility over expected earnings and profitability is high. As a result, Zenith is well positioned to navigate this intense period of disruption caused by the COVID-19 pandemic. The financial modelling we have performed shows that we continue to trade cash positive as a result of our business model, long-term income streams and additional procedures we have put in place. These include close monitoring of customer credit risk, daily monitoring of residual values and a review of our supply chain for increased risk of failure. We have continued to keep our scenario model refreshed, as well as monitoring our results closely which show that our experience of payment holidays, vehicle sale volumes and profits continue to perform within our expected range. More details can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 14).

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

1. ACCOUNTING POLICIES (continued)

c. Taxation

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

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

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

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

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

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

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

d. Turnover

Turnover represents the value of vehicle sales, recognised at point of sale, less directly attributable disposal costs in the ordinary course of business during the year, excluding value added tax. All turnover is generated in the United Kingdom.

e. Tangible fixed assets

Tangible fixed assets in the Company, representing vehicle residual values are stated at cost or valuation, net of any provision for impairment.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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

1. ACCOUNTING POLICIES (continued)

f. Financial instruments

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

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

Financial assets

Classification of financial asset

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

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

Amortised cost and effective interest method

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

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

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

Interest income is recognised in the profit or loss and is included in the "Interest payable and similar expenses" line item.

Impairment of financial assets

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

Write off policy

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

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

1. **ACCOUNTING POLICIES (continued)**

f. Financial instruments (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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.

g. Dividend and interest income

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

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

h. Vehicles subject to repurchase

The committed cost of vehicles subject to repurchase agreements at the end of the primary lease period are recognised in debtors and creditors in line with their buyback commitments. These commitments are all with companies in the Group.

i. 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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The directors' remuneration from all group companies is disclosed in the financial statements of a fellow group company Zenith Vehicle Contracts Limited. Whilst the directors received salaries from other group companies during the year they received no emoluments directly in respect of qualifying services to the Company.

The fee for the audit of the financial statements of £3,060 (2019: £2,450) has been borne by another group company. There were no non-audit fees in either year relevant to company only services. In addition to the directors, the Company employs 12 employees (2019: 13) to carry out its services (see note 5).

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 March 2020 £'000	**Year ended 31 March 2019 £'000**
Intercompany interest paid	786	784
	786	784

5. STAFF COSTS

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

	2020 Number	2019 Number
Administration	12	13

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	393	325
Social security costs	32	28
Other pension costs	21	19
	446	372

6. TAXATION

The tax charge comprises:

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	-	-
Total current tax		-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax on profit	-	-

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

6. TAXATION (continued)

Factors Affecting Total Tax Charge for the Current Period

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

	2020 £'000	2019 £'000
Profit before tax	5,823	6,559
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,106	1,246
Effects of:		
- Group relief	(1,106)	(1,246)
Total tax charge for the year	-	-

7. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	£'000
Cost	
At 1 April 2019	50,328
Additions	28,024
Disposals	(5,608)
At 31 March 2020	72,744
Impairment	
At 1 April 2019	74
Charge	-
Disposals	(74)
At 31 March 2020	-
Net book value	
At 31 March 2020	72,744
At 31 March 2019	50,254

Tangible fixed assets in the Company represent vehicle residual values and are stated at cost or valuation, net of any provision for impairment. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life, as such residual values are reviewed for impairment, but do not suffer depreciation in the year.

8. DEBTORS

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year:		
Vehicles subject to repurchase agreements	55,141	29,833
VAT	60	1,120
Amounts owed from group undertakings	46,628	38,731
	101,829	69,684
Amounts falling due after more than one year:		
Vehicles subject to repurchase agreements	118,790	125,014
	220,619	194,698

Amounts owed from group undertakings are unsecured, repayable on demand and charged at a commercial rate of interest. These have been reviewed for impairment and where necessary a provision for impairment provided. The value of the impairment charged to the income statement is £nil (2019: £nil)

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2020 £'000	31 March 2019 £'000
Trade creditors	11	-
Bank loans and overdrafts	-	1,083
Vehicles subject to repurchase agreements	55,141	29,833
Accruals	-	254
Amounts owed to group undertakings	45,926	55,348
	101,078	86,518

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

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 March 2020 £'000	31 March 2019 £'000
Vehicles subject to repurchase agreements	118,790	125,014
Amounts owed to group undertakings	52,252	17,816
	171,042	142,830

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

11. SHAREHOLDERS FUNDS

	31 March 2020	31 March 2019
Authorised, allotted, called up and fully paid		
1 ordinary share of £1	1	1

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

Reserve	Description and purpose
Profit and Loss Account	Cumulative net gains and losses from recognised earnings in the income statement
Capital Contribution	Non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

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

13. RELATED PARTY TRANSACTIONS

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

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

15. POST BALANCE SHEET EVENTS

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