Provecta Car Plan Limited

Annual report and financial statements

For the year ended 31 March 2020

Registered number: 03091210

Provecta Car Plan Limited
Contents

Provecta Car Plan Limited

Officers and professional advisers

Directors	T P Buchan R A Butler I R Gibson I M Hughes 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

Provecta Car Plan Limited

Strategic report

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

Principal activity and business review
The principal activity of the Company is the provision of structured employee car ownership schemes to companies and individuals with appropriate finance.

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

Statutory Profit before tax for the year was £189,000 (2019: £377,000). During the year the Company delivered operating profit of £727,000 (2019: £914,000). This drop in profit was as expected with the majority of new contract hire business continuing to originate through another group company Zenith Vehicle Contracts Limited at present. However, the provision of structured employee car ownership schemes remains a part of the strategy of the Group and this Company will provide those services where it is beneficial for our customers to do so.

We are a very well-funded business with access to significant committed facilities which help us to underpin the continuing strength of the business.

The business has a robust base from which to build and tax legislation surrounding the provision of cars provides exciting opportunities with both new and existing customers. Our niche market position combined with the full service fleet offering of our enlarged group means that we can provide market leading service offerings to our blue chip customer base.

Principal risks and uncertainties
Key risks in the business include the credit worthiness of customers, residual value risk taken when underwriting the value of vehicles at the end of leases and maintenance risk taken when underwriting maintenance contracts with customers.

New business which is funded through our securitisation facility is reviewed against a rigorous risk profiling assessment with, in general, no individual customer representing more than 3% of the outstanding balance. Each employee is credit checked prior to the agreement of the lease with the majority of the in life risk mitigated by corporate guarantees and early termination insurance.

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

The entity is part of the overall management of the Group and the Group wide risks and uncertainties can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 15).

Treasury management
With respect to treasury management we look to remove as much risk as possible from the business with respect to interest rate exposure. All of our group contracts with customers are fixed interest rate contracts and all of the matching asset finance used to fund these contracts is taken on a fixed interest basis or swapped into fixed interest at the point of funding. This is done at a group level and not within Provecta Car Plan Limited.

Key performance indicators
The directors use a series of Key Performance Indicators ("KPIs") to monitor the development and efficiency of the Group. KPIs include the measurement of productivity statistics which are measured by the amount of vehicles which we manage per head, sales performance of our remarketing teams benchmarked against industry statistics and average invoice costs processed through our maintenance operations. The performance of the Company against these KPIs is in line with our expectations but is not disclosed here due to their sensitive nature.

Provecta Car Plan Limited

Strategic report (continued)

Going Concern

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

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 15).

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

Future developments

The directors expect the Company to continue in the same principal market, with trading levels continuing to drop into the coming year due to the majority of new contract hire deals originating in another group company Zenith Vehicle Contracts limited for the foreseeable future.

Approved by the Board and signed on its behalf by:

M T Phillips

Director
30 July 2020

Provecta Car Plan 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 after tax of £190,000 in the year ended 31 March 2020 (2019: £374,000). Dividends of £nil (2019: £nil) were paid in the year. No dividends 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 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
R A Butler
I M Hughes
A Kirby (Resigned 1 April 2020)
M T Phillips
I R Gibson
M K Patel (Company Secretary) (Appointed 1 April 2020)
P J Rawnsley (Company Secretary) (Resigned 25 November 2019)

Future developments

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

Charitable and political contributions

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

Provecta Car Plan 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

Provecta Car Plan 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 Provecta Car Plan Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Provecta Car Plan 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 16.

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 Provecta Car Plan 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 Provecta Car Plan 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

Provecta Car Plan Limited

Profit and Loss Account
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	3	5,006	6,976
Cost of sales		(4,096)	(5,753)
Gross profit		910	1,223
Administrative expenses		(183)	(309)
Operating profit	4	727	914
Interest payable and similar expenses	6	(538)	(537)
Profit before taxation		189	377
Tax credit / (charge) on profit	7	1	(3)
Profit for the financial year attributable to equity shareholders of the Company		190	374

All results arise from continuing operations.

The accompanying notes 1 to 16 are an integral part of the financial statements.

Statement of comprehensive income

For the year ended 31 March 2020

	2020 £'000	2019 £'000
Profit for the financial year	190	374
Total comprehensive income attributable to the equity shareholders of the Company	190	374

The accompanying notes 1 to 16 are an integral part of the financial statements.

Provecta Car Plan Limited

Balance sheet

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Current assets			
Debtors: amounts falling due within one year	8	14,894	16,480
Debtors: amounts falling due after more than one year	8	3,550	5,646
Cash at bank and in hand		11,510	6,974
		29,954	29,100
Creditors: Amounts falling due within one year	9	(23,168)	(20,599)
Total assets less current liabilities		6,786	8,501
Creditors: Amounts falling due after more than one year	10	(2,597)	(4,479)
Provisions for liabilities	11	(82)	(105)
Net assets		4,107	3,917
Capital and reserves			
Called up share capital	12	-	-
Share premium account	12	708	708
Profit and loss account		3,399	3,209
Shareholders' funds		4,107	3,917

The accompanying notes 1 to 16 are an integral part of the financial statements.

These financial statements of Provecta Car Plan Limited, (registered number 03091210), were approved and authorised for issue by the Board of Directors on 30 July 2020.

M T Phillips
Director

Provecta Car Plan Limited

Statement of changes in equity
As at 31 March 2020

	Called up Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2018	-	708	2,835	3,543
Profit for the financial year and total comprehensive income	-	-	374	374
At 31 March 2019	-	708	3,209	3,917
Profit for the financial year and total comprehensive income	-	-	190	190
At 31 March 2020	-	708	3,399	4,107

The accompanying notes 1 to 16 are an integral part of the financial statements.

Provecta Car Plan 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

Provecta Car Plan Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal 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 and adopt IFRS 9 for classification and measurement of financial instruments.

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

Provecta Car Plan 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. Provecta Car Plan Limited is consolidated in the financial statements of its parent, Zenith Automotive Holdings Limited, which may be obtained from the address in note 15. 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.

b. Going concern

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

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

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

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 15).

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

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

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

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

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

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

d. Turnover

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

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

1. ACCOUNTING POLICIES (continued)

e. *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.

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 receivable and other income" line item.

Impairment of financial assets

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

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

1. ACCOUNTING POLICIES (continued)

f. Financial instruments (continued)

Write off policy

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

h. Vehicle leases

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

Vehicles delivered to customers under Employee Car Ownership (ECO) Schemes are either financed by a third-party or funded through securitised funding.

Vehicles leased to customers under operating leases which are funded through securitisation, are reported as debtors and are stated at the value of the minimum rentals receivable less the finance charges allocated to future periods.

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

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

Rental income under contract hire operating leases is recognised on a straight line basis over the period of the contract.

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 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.

Notes to the financial statements (continued)

For the year ended 31 March 2020

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

Maintenance Provision

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

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

3. TURNOVER

	2020 £'000	2019 £'000
Long-term vehicle loans	2,619	4,003
Vehicle sales	2,239	2,784
Other	148	189
	5,006	6,976

Other turnover includes fleet management and outsource fees, daily rental and other miscellaneous income. All turnover is derived in the UK.

4. OPERATING PROFIT

Operating profit is stated after charging staff costs disclosed in note 5. All other costs are immaterial in size (2019: same).

The fees payable to the Company's auditor for the audit of the Company's annual financial statements of £8,920 (2019: £7,140) has been borne by another group company. There were no non-audit fees in either year relevant to company only services.

5. STAFF COSTS

Employee costs, including the directors, during the year:

	2020 £'000	2019 £'000
Staff costs recharged	180	240

Staff costs in the year were paid by another group company Zenith Vehicle Contract Limited and recharged to Provecta Car Plan Limited on the basis of the recognised turnover in each entity as this best reflects the time spent on the vehicle fleet. No employees were paid directly through the Company.

No directors' remuneration was paid during either financial year. 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 (2019: £nil).

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Interest payable on intercompany loans	538	537

7. TAXATION

Analysis of the tax (credit) / charge
The tax (credit) / charge on the profit for the year was as follows:

	2020 £'000	2019 £'000
Current tax		
UK Corporation tax	-	-
Total current tax	-	-
Deferred tax		
Current year	1	1
Adjustment in respect of prior periods	(1)	2
Effect of changes in tax rates	(1)	-
Total deferred tax	(1)	3
Total tax (credit) / charge for the year	(1)	3

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

Factors Affecting Total Tax Charge for the Current Period

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

	2020 £'000	2019 £'000
Profit before taxation	189	377
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	36	72
Effects of:		
Group relief	(35)	(71)
Adjustment in respect of prior periods	(1)	2
Effect of changes in tax rates	(1)	-
Total tax (credit) / charge for the year	(1)	3

8. DEBTORS

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year:		
Trade debtors	268	271
Amounts receivable under hire purchase contracts	1	2
Other debtors	101	66
Amounts owed by group undertakings	10,741	10,741
Amounts receivable under securitised contracts	3,751	5,222
Deferred tax*	7	5
Prepayments and accrued income	25	173
	14,894	16,480
Amounts falling due after more than one year:		
Amounts receivable under securitised contracts	3,551	5,646
	18,445	22,126

All the Company's trade debtors have been reviewed for impairment and where necessary a provision for impairment provided. The value of the impairment charged to the income statement is £48,363 (2019: £nil)

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

*The movement in deferred taxation in the period was as follows:	Year ended 31 March 2020 £'000
Beginning of year	5
Depreciation in excess of capital allowances for the Period	-
Effect of changes in tax rates	1
Adjustment in respect of prior periods	1
End of year	7
Deferred taxation is attributable to:	
Excess of capital allowances over depreciation of fixed assets	5
Short term timing differences	2
	7

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2020 £'000	31 March 2019 £'000
Trade creditors	83	120
Amounts owed to group undertakings	19,544	15,496
Amounts owed to group undertakings (Obligations under securitised contracts)	3,056	4,310
VAT	18	19
Accruals and deferred income	320	488
Other creditors	147	166
	23,168	20,599

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

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

	31 March 2020 £'000	31 March 2019 £'000
Amounts owed to group undertakings (Obligations under securitised contracts)	2,597	4,479

Obligations under securitised contracts are repayable as follows:

	31 March 2020 £'000	31 March 2019 £'000
Amounts payable:		
Within one year	3,056	4,310
Within two to five years	2,597	4,479
	5,653	8,789

11. PROVISIONS FOR LIABILITIES

	31 March 2020 £'000	31 March 2019 £'000
Provision for maintenance costs	82	105

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

	£'000
At 1 April 2019	105
Charged to profit and loss account	326
Utilisation of provision	(349)
At 31 March 2020	82

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

12. SHAREHOLDER FUNDS

	31 March 2020 £	31 March 2019 £
Authorised		
109,485 ordinary shares of £0.01 each	1,095	1,095
Allotted, called up and fully paid		
12,767 ordinary shares of £0.01 each	128	128

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
Share Premium	Represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue

13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) **Capital commitments**

At the end of the year the Company had contracted capital commitments of £531,196 (2019: £531,729) relating to the purchase of vehicles for leasing to its customers.

b) **Contingent liabilities**

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

c) **Buy back commitments**

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

	31 March 2020 £'000	31 March 2019 £'000
Within one year	2,374	2,855
Within two to five years	2,865	4,523
	5,239	7,378

The buyback commitments above represent agreements that give the customer the option to sell the vehicle back to the Company for its residual value at the end of the lease agreement.

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

14. RELATED PARTY TRANSACTIONS

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

15. 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 the 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.

16. 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.