

Zenith Automotive Holdings Limited
Annual Report 2022

Zenith 
Intelligent Vehicle Solutions

DRIVING SUSTAINABILITY



INTRODUCTION

THE UK'S LEADING INDEPENDENT LEASING, FLEET MANAGEMENT AND VEHICLE OUTSOURCING BUSINESS.



TOTAL ADDRESSABLE VEHICLE PARC
15.6m

TOTAL FLEET
162,000
+10%

BEVs IN FLEET AND ON ORDER
23,000
Current fleet and order bank

TURNOVER
£589.1m
+20%

ADJUSTED EBITDA
£78.2m
+27%

EMPLOYEES
1,213
+192

* A comprehensive set of statutory and non-statutory performance measures are described in the Chief Financial Officer's Statement from page 82 of this report.

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Introduction from our Chairman Lord Stuart Rose



Corporate, Commercial and Consumer achievements



Driving positive change for all our people



The UK leasing sector's biggest green bond



This strategic report, as set out on pages 4 to 95 was approved by the Board of Directors on 25 August 2022 and signed on its behalf by

Tim Buchan



OVERVIEW

GROUP AT A GLANCE

WE PROVIDE SUSTAINABLE, INNOVATIVE VEHICLE MOBILITY SOLUTIONS

Zenith is the UK's leading independent leasing, fleet management and vehicle outsourcing business, with capabilities across all vehicle asset types, supporting business fleets (trucks, trailers, vans, company cars), salary sacrifice and consumer cars.



Our purpose is to provide sustainable, innovative vehicle mobility solutions.

KEY SUCCESS FACTORS FOR ZENITH

 <p>ONE ZENITH</p> <p>A unique multi-asset, multi-service platform Zenith offers the full range of vehicle types, across a full range of channels, and a full range of service solutions.</p>	 <p>QUALITY OF SERVICE</p> <p>Zenith has a strong reputation for consistently delivering great service to its customers underpinned by its culture and values.</p>	 <p>INDEPENDENCE</p> <p>Independent ownership and financing enables the Group to be agnostic regarding vehicle make, powertrain and funder.</p>
 <p>POWERED BY PEOPLE</p> <p>Zenith people culture has always been central to our success; the Zenith People Promise will ensure this continues.</p>	 <p>REINFORCED WITH DIGITAL TECHNOLOGY</p> <p>Zenith continues to make significant investments in tech to deliver a single, fully digital, fully-scalable asset management platform.</p>	 <p>SCALABLE AND SUSTAINABLE FUNDING</p> <p>Zenith has diverse, scalable and sustainable sources of funding enabling us to grow and support our customers.</p>

ZENITH IN NUMBERS

TOTAL FLEET
162,041

TOTAL FUNDED FLEET
70,155

EMPLOYEES
1,213

TURNOVER
£589.1m

GROSS PROFIT
£136.2m

ADJUSTED EBITDA
£78.2m

BATTERY ELECTRIC VEHICLES (BEVs) AS % OF FUNDED FLEET*
19%

BEV AS % OF TOTAL FUNDED ORDER BOOK
58%

ZENAUTO FLEET & ORDER BANK GROWTH OVER TWO YEARS
130%

* Excluding commercial vehicles.

TOTAL FLEET SIZE

FY22	162,041
FY21	147,203
FY20	143,646

TOTAL FUNDED FLEET SIZE

FY22	70,155
FY21	66,744
FY20	54,112

All figures correct as of 31 March 2022.

ZENITH HAS THREE DIVISIONS

CORPORATE
BIG ON FLEET,
BIG ON DETAIL

Fleet drives business. To thrive, our customers need the right blend of vehicles, funding, service, strategy and support.

COMMERCIAL
KEEPING YOU MOVING

Whether it's vans, trucks or trailers, we keep our customers' fleets compliant, cost efficient and available to ensure their businesses are always moving forward.

CONSUMER
LEASE THE CAR YOU LOVE

Choose it, spec it and order it online. Our customers lease brand-new cars with ease. We offer a unique digital experience that gives customers more car than they thought possible.

ACROSS THREE ROUTES TO MARKET

B2B
Business-to-business.
5.6m addressable vehicle parc.

B2B2E
Business-to-business-to end user.
1.2m eligible employees in Zenith's customer base.

B2C
Business-to-consumer.
10m addressable vehicle parc.

STRATEGIC REPORT

SECTION 1 STRATEGIC REPORT



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A YEAR OF RECORD PERFORMANCE FOR ZENITH



Welcome to our review of the financial year ended 31 March 2022. This has been a year of record performance for Zenith, amid some of the most unique and challenging circumstances.

INTRODUCTION

I would like to express my thanks to the executive management team and to all of our colleagues at Zenith, who have delivered such outstanding performance for all of our stakeholders, while staying true to our vision of enabling corporates and consumers to decarbonise the UK vehicle parc.

REVIEW OF THE YEAR

I have been Chairman of Zenith since 2017 and this year has undoubtedly seen the most varied series of challenges and opportunities that the business has faced. First, the continuing impact of the COVID-19 pandemic, and the associated lockdowns and restrictions, continued to affect the normal operations of our Corporate and Commercial fleet customers. Second, the knock-on effects of COVID-19 caused pronounced and continuing difficulties in the automotive supply chain, particularly affecting the number of new vehicle registrations in the UK market. Third, in the latter part of the financial year, the consequences of the war in Ukraine exacerbated those difficulties.

“Despite the challenges of COVID-19 and automotive supply disruption, our record performance is testament to Zenith’s strategy and business model... we look forward with confidence to playing a key role in decarbonising the UK vehicle parc in years to come.”

Despite all of these challenges, Zenith continues to grow and develop. We increased the size of our funded and managed fleet to over 160,000 vehicles. We report record profits this year, supported by the strength of our strategy, and a business model that shows robust performance despite market conditions. We are continuing on our path to decarbonising the UK vehicle parc, with battery electric vehicles forming an ever-increasing proportion of our funded fleet, and now the majority of our order intake. We finished the year on four consecutive quarters of record order intake, and an order bank of over 14,000 vehicles. This gives me great confidence in our prospects for future growth in the business.

COMMITMENT TO ALL OF OUR STAKEHOLDERS

We managed to achieve all of this while focusing on our values: to be innovative, passionate, agile, proud, driven and honest. You will read plenty of examples of these values in action throughout this Annual Report. To take just two: I am very proud to report that we have become a carbon neutral business and committed to the Science Based Targets initiative for reduction of our greenhouse gas emissions; and I am equally proud to have launched our diversity and inclusion agenda, which will reap benefits for our business and stakeholders for years to come.

Indeed, we have invested in our business at record levels: in innovative technology solutions to deliver better services for our customers, in new asset management platforms to support customers’ Commercial fleets, and in recruiting, training and retaining our people.

Highlights of the year

Zenith continues to grow and develop

Increased fleet to over 160k vehicles

Record profits

Business model = robust performance

Highest ever order take

Launched Diversity & Inclusion agenda

Significant levels of investment

For investors and funders – including hundreds of employee-shareholders, and dozens of new bondholders who invested in our business this year – we have reported record financial performance. And we have also delivered two critical projects that will create a sustainable platform from which to grow and develop: the new securitisation facilities that will support the majority of our funded fleet into the medium term, and the senior secured notes that provide new debt financing for the business through to 2027. These were important milestones on our path to delivering long-term value for all of our stakeholders.

OUTLOOK

The challenges mentioned above continue into the new financial year. The availability of new vehicles is still severely constrained, while the prospects for consumer confidence, and the macroeconomic conditions, have worsened notably in recent months. However, the confidence that our customers continue to place in us, demonstrated by the burgeoning order bank and demand through each of our channels, gives us optimism for our future prospects. The key, as ever, is for Zenith to get new vehicles on the road, grow our fleet, and support our customers every step of the way with innovative solutions. I have every confidence that colleagues will continue to deliver for our customers, and in the continued success of Zenith.

CLOSING ORDER BANK

FY22	14,280
FY21	6,649
FY20	6,882

■ Combined Corporate, Commercial and Consumer

Lord Stuart Rose
Chairman
25 August 2022

PAVING THE ROAD TO NET ZERO



The past year has reinforced the pressing need for fundamental changes to transport systems in the UK and across the world. It has similarly reinforced the underlying factors that have propelled Zenith's incredible progress over its three decades of successful growth.

But 2021 was also a year that continued to bear the marks of COVID-19. As we emerged from the worst effects of the pandemic, the advantages offered by Zenith's diverse portfolio were clear. While COVID-19 and the associated restrictions undoubtedly tested our business, and resulted in a slowdown in certain areas, we saw new levels of demand in others and learned lessons – both as a business and as a group of colleagues – that we will carry forward into the future.

However, it is clearly climate change that provides the long-term backdrop, and the prime impetus for change. A standout experience for me in 2021 was the COP26 conference, held in Glasgow in November. Observing the conference I saw the drive, commitment and energy behind the global effort to achieve net zero, and I had the opportunity to contribute to a panel discussion on the path to net zero transport. During COP26, Zenith were signatories to the global declaration on accelerating the transition to 100% zero emission cars and vans, the major announcement on clean road transport in connection with the conference.

THREE DECADES OF GROWTH



Fleet size

This experience at COP26 reinforced the importance of Zenith's commitment to eliminating tailpipe emissions from the UK vehicle parc. Indeed, soon after COP26, Zenith launched the UK vehicle leasing sector's largest ever green bond of £475 million. The bond carries a commitment to invest at least the same amount in the expansion of our battery electric vehicle (BEV) fleet. The strong interest in this issuance from a high calibre group of investors underlines our standing in the industry and provides a vote of confidence in our diversified business model and growth prospects.

OUR FANTASTIC TEAM

Another defining experience of 2021 was Zenith's emergence from COVID-19 restrictions in such a strong commercial position, testament to the strength and skill of our fantastic team and our collaborative and supportive culture. As the wider economy began to return to normal, we took the decision to repay the money we had received under the government furlough scheme during the early days of the pandemic. We are very grateful for this and other support provided to UK business by the government, which helped safeguard hundreds of jobs at a time of intense uncertainty. But given Zenith's performance through the pandemic, the return of this funding was, quite simply, the right thing to do.

The culture and calibre of our employees never ceases to amaze me, and I was particularly moved by the strong sense of team spirit at Zenith in the aftermath of the decision to cancel our Christmas party amid the surge in the Omicron variant. While it was disappointing not to be able to celebrate together, the wellbeing of our people had to be our number one priority. And instead we turned this setback into an expression of solidarity and community by donating party funds to charities including FareShare and Mind.

In a wider sense, the human impacts of the pandemic, such as its disproportionate impact on women, and the disparity between frontline workers and those able to work remotely, offered important lessons which we are committed to learning across our operations. We are already seeing the benefits of this, having introduced a new inclusion agenda, and 75% of our senior

hires in the past year having been women. Diversity and inclusion are fundamental to our approach at all levels of the business, and we are dedicated to continually improving.

The Zenith team is the key to our success and we are incredibly proud of the contributions made by each and every member in the past year to deliver such strong performance. To continue this success, we remain committed to investing in upskilling and developing our growing team. We are particularly pleased to have welcomed 13 – or 65% – of our total cohort through the government Kickstart scheme, into permanent positions at Zenith. We have a further three percent of our total workforce currently working in, or towards, apprenticeships. And as we progress into 2022, we are excited to be welcoming our employees back into the business with new flexible working options, and maintaining our position as a top employer, recognised by achieving a 2 star rating from Best Companies – an accreditation only awarded to companies with outstanding levels of colleague engagement.

BUSINESS PERFORMANCE

Turning to Zenith's performance, we saw great progress and continued growth during the year. We successfully integrated our acquisition of the Cartwright fleet services and trailer rental businesses into the Commercial division, and we saw standout success for our consumer offer ZenAuto, with an advertising campaign hitting billboards, trailers and screens across the country. The achievement in April 2022 of a milestone 9,000 vehicles on the road underlines the popularity of this proposition, and its prospects for growth.

We are also seeing increasing interest from corporate customers as companies look to leasing, and fleet managers seek to decarbonise and electrify their fleets. This underlines the role of leasing in facilitating electrification and decarbonisation of the UK vehicle parc, and we are seeing this demand reflected in our strong order book for financial year 2022-23 and beyond. We are grateful to our dealership and manufacturer partners for their continued support and look forward to continuing this journey together.

Sustainability initiatives continue to be front-and-centre for Zenith. Not only do we stand ready to help our customers deliver on their own net zero commitments via the provision of sustainable transport solutions backed up by our expert consultancy, we are also walking-the-walk with our own commitments. During the year, Zenith committed to adopt science-based targets and we are proud to have received accreditation from Sustainalytics, setting a new benchmark for our Environmental, Social and Governance (ESG) reporting. In 2022 we are also preparing to implement regulations under the Task Force on Climate-related Financial Disclosures (TCFD) across the business to reinforce our understanding of and commitment to sustainability throughout our operations.

A BRIGHT FUTURE

Looking ahead, it is no secret that the automotive industry is facing a perfect storm of what we hope will prove to be short-term challenges, including semiconductor shortages and supply chain disruption alongside the challenging backdrop of the cost-of-living crisis and the appalling war in Ukraine. However, looking out to the medium and long-term we remain extremely confident that Zenith has the right model, systems and, most importantly, the right team in place to continue to grow into our total addressable market, which now stands at 15.6 million vehicles across our three divisions: Corporate, Commercial and Consumer.

None of this will be possible without the support of our customers, and I look forward to our continued work together into 2022 and beyond. I and the wider leadership team are proud of this dynamic and resilient business that delivered a successful 2021 and we look to the coming year with excitement and confidence.

Tim Buchan
CEO
25 August 2022

OUR VEHICLE MOBILITY SOLUTIONS

VEHICLE PROCUREMENT



Supporting customers throughout the vehicle procurement process, from specification and selection through to order and delivery. Offering a full build management service for commercial vehicles to ensure vehicles are delivered to specification and on time.

FLEET FUNDING



Providing multi-asset funding solutions of all shapes and sizes, including business and personal contract hire, contract purchase, finance and operating lease, salary sacrifice and employee car ownership, as well as offering bespoke funding solutions such as sale and leaseback, and consumer solutions in contract hire and leasing services.

TRAILER RENTAL



Operating one of the largest fleets with the widest trailer range in the industry, with flexible terms, delivered at pace, from an in-house national network of ten depots, combined with a service and maintenance network to deliver the highest levels of safety and compliance.

ACCIDENT MANAGEMENT AND ANCILLARY SERVICES



Offering comprehensive year-round 24/7 coverage, from first notification of loss to getting vehicles back on the road as quickly as possible, and aggregating and delivering essential, technology-led complementary services, enabling fleets to operate effectively. This includes cash, fuel and mileage management, pool fleet management, telematics risk management, and BEV solutions such as home and workplace charging.

FLEET MANAGEMENT



Fleet management capabilities are delivered by in-house expert teams and underpinned by market-leading technology and processes, which integrate across supply chains and with customer systems, providing real time data to inform decision making and ensure maximum vehicle availability.

VEHICLE COMPLIANCE



Ensuring customer fleets are fully compliant, covering MOT, service and inspections, including ancillary equipment; Zenith systems are fully Earned Recognition compliant, and customers have real time digital access to all compliance documentation.

MAINTENANCE AND REPAIR



Providing the full spectrum of maintenance and repair services for all vehicle types through our strategically located in-house commercial vehicle workshops, one of the largest fleets of mobile service units in the UK, and our extensive nationwide network of quality third-party service agents.

REMARKETING



Offering a vehicle disposal solution to third parties and for vehicles owned by Zenith; this covers the spectrum of vehicle management, movement and disposal services, on an agency and principal basis, working through numerous disposal channels and partners.

CONSULTANCY



Providing expert advice and analysis to help shape future fleet strategy across all assets, focusing on cost, risk, operational effectiveness, driver engagement, legislative change and decarbonisation.

DRIVER SERVICES



Delivering an exceptional customer experience to drivers through our award-winning in-house customer service team and driver technology stack. We support drivers to navigate choice, transition to battery electric vehicles (BEV) and provide 24/7 support for in-life vehicle events.

WHITE LABEL SOLUTIONS



Providing access to robust, award-winning technology, services and teams, delivering bespoke solutions that enable vehicle manufacturers and financial institutions to sell and market Zenith products and services under their own brands.

SHORT-TERM HIRE



Operating one of the largest third-party rental networks in the UK, providing nationwide coverage for cars, vans and specialist vehicles with the flexibility for collection and delivery and hire periods from one day, to six months onwards.



ROUTES TO MARKET

ADDRESSABLE VEHICLE PARC

5.6m

focus on large corporates with fleets over 100 vehicles with a leading proposition in commercial segment

SALARY SACRIFICE ELIGIBLE EMPLOYEES

1.2m

within the zenith customer base

ADDRESSABLE VEHICLE PARC FROM NEW AND FIRST USED VEHICLES

10m

offering huge growth potential.

B2B – BUSINESS CRITICAL TO PERK VEHICLES



B2B2E – SALARY SACRIFICE



B2C – DIGITAL MOBILITY SOLUTIONS



Target Addressable Market

- **Cars** – 2.8m parc
- **Light commercial vehicle (LCVs)** – 2.1m parc
- **Heavy goods vehicle (HGVs)** – 0.7m parc.

SMMT registrations in 2021*:

- **812k fleet cars**
- **350k LCVs**
- **37k HGVs.**

- Salary sacrifice – estimates vary; approximately 100,000 in the UK vehicle parc today
- The addressable market for Zenith is larger than the current market volume when all eligible employees are considered (i.e. those who are eligible for current schemes via their employer)
- There are currently 1.2 million eligible employees within the Zenith customer base.

- **New and 1st used cars** – 10.0m.

SMMT registrations in 2021*:

- **802k private car** – 0.5% market share
- **7.5m used car sales in 2021** – vehicles of all ages.

Overview

- The business car parc of 2.8 million vehicles has remained resilient over time, reflecting changing economic conditions and taxation policy
- The addressable business LCV parc of 2.1 million vehicles has grown in the past few years, supported by increased demand for home delivery services and faster, more responsive supply chains
- The HGV parc has grown steadily over time and outsourcing, currently estimated at 40%, continues to increase in the industry.

- This is currently a very attractive market, where low company car BiK (Benefit in Kind) taxation makes brand-new ultra-low emission vehicles (ULEVs) more affordable for employees, with employers remaining cost neutral
- The vehicle parc has been static in recent years due to long lead times. However, high order banks and propensity for renewal predicts future market growth.

- With 800,000 personal new car registrations in 2021, and Zenith's current market share being 0.5%, there is great scope for growth
- Over 90% of personal new car sales are financed, and the growing appetite for "usership" and leasing solutions has seen the personal contract hire (PCH) share grow to approximately 15% over the past five years, at the expense of personal contract purchase (PCP) and hire purchase alternatives. This demonstrates the growing consumer appetite for leasing based solutions and "usership" over ownership.

Our position

- Focus on large, blue chip customers typically with fleets of over 100 vehicles
- Zenith sits in eighth position on the 2021 FN50, up from ninth in 2020, with a 3.5% market share
- One of the largest purchasers of rental vehicle days in the UK
- The largest UK fleet of HGVs, trucks, vans and mechanical handling equipment (MHE)
- UK trailer rental market leader with a 22% market share.

- Zenith is the market leader in the private sector salary sacrifice market and operates the single largest scheme in the industry
- Zenith concentrates on providing a fully outsourced solution to large, blue chip customers.

- Focus is on prime and super-prime credit rated retail consumers through ZenAuto
- Focus is on "usership" and leasing services, such as personal contract hire (Zenith retains vehicle ownership) rather than personal contract purchase (PCP) or other more complex products
- Zenith delivered 4,000 cars in the financial year and recently reached 9,000 live assets in a COVID-19, supply chain constrained environment
- Zenith's used car PCH solution is in trial and going to market in the coming months.

Drivers of demand

- GDP
- Business confidence
- Tax policy and regulation
- Transition to net zero
- Digitisation and the growth of online retail
- Fleet costs and operational optimisation
- ESG.

- Tax policy
- Consumer confidence
- Employment rates
- Remuneration policy (e.g. fiscal drag makes low tax BiK offers more attractive)
- Transition to net zero.

- Availability of popular vehicles
- Consumer confidence
- Macroeconomic factors
- Number of driving licence holders
- Transition to BEV.

* SMMT: Society of Motor Manufacturers and Traders.

MONITORING KEY TRENDS

The UK vehicle parc is large and resilient, with around 40 million vehicles. It has increased by around ten million vehicles over the past two decades. New car and LCV registrations, driven by economic growth and an ever-increasing number of driving licence holders, are key factors. In 2021, there were two million new vehicle registrations in the UK market, reflecting the supply-constrained environment. Historically new vehicle registrations have typically ranged between 2.8 and 3.2 million vehicles per annum.

DECARBONISATION OF FLEETS IS AN IMPERATIVE FOR ALL BUSINESSES

CONSUMERS ARE EMBRACING LEASING AS A FORM OF USERSHIP

ZENITH'S BUSINESS IS PROVEN TO BE VERY RESILIENT IN UNCERTAIN TIMES

ELECTRIFICATION OF THE UK VEHICLE PARC IS A HUGE OPPORTUNITY

22% OF NEW VEHICLE REGISTRATIONS IN 2021 WERE BATTERY-POWERED ELECTRIC VEHICLES

CLIMATE CHANGE

INDUSTRY TREND/IMPACT	IMPACT FOR ZENITH	FUTURE OPPORTUNITIES/ CHALLENGES	RESPONSE
<p>No new petrol or diesel cars will be sold in the UK from 2030, or HGVs from 2040. The government's Road to Zero strategy builds on this commitment and outlines a series of new measures for developing, manufacturing and using zero emission road vehicles.</p> <p>The European Union has signalled the end of sales of new emission-producing cars and vans from 2035 and expects all cars on the roads by 2050 to be emissions free.</p> <p>Automotive manufacturers are investing billions in restructuring their production facilities to produce electric vehicles and new entrants are changing the brand landscape, and disrupting traditional approaches to distribution and sales.</p> <p>The number of low (PHEV) and zero (BEV) emission vehicles registered in the UK has increased dramatically over the past two years to just under 800,000 in February 2022 and annual new registrations has risen to 22%. The number of public charging points has grown to around 30,000, an increase of 375% over the past five years.</p> <p>The introduction of clean air zones is creating more awareness of lower-emission vehicles, with the first zero emission zone being introduced in Oxford.</p>	<p>The transition of the UK vehicle parc to zero emissions is a huge opportunity for Zenith. The rapidly increasing demand for electric cars and vans is translating into increased demand for leasing, due to a combination of the relatively high cost of electric vehicles and the low BiK tax rates they attract, which are encouraging people into company car and salary sacrifice schemes.</p> <p>The current high purchase price of alternative fuel vehicles compared to their internal combustion engine (ICE) counterparts also favours a leasing model, as strong resale values and low in-life maintenance costs of BEVs keep lease rates competitive whilst also offering attractive unit economics.</p> <p>Consumers have shown that they are willing to embrace new products, new brands and new ways of selecting and sourcing their cars. The emergence of online markets for consumers to buy and sell used cars has helped to establish the digital channel for car transactions, reinforcing a trend pioneered by salary sacrifice schemes.</p> <p>The company car and salary sacrifice markets are growing again after several years of decline, driven by orders for PHEV and BEV vehicles with the current Zenith order bank comprising an increasing percentage of low or zero emission cars.</p>	<p>Zenith's any vehicle, multi-channel business model has increased the total addressable market to over 15 million vehicles in the UK.</p> <p>Zenith's scale and presence in the company car market and the rapidly growing ZenAuto fleet will provide a direct source of high-quality used PHEV and BEV for secondary leasing through the ZenAuto platform.</p> <p>The penetration of on-line/ e-commerce transactions into new car registrations is expected to grow to between 20%-40% by 2030.</p> <p>Certainty over future government tax policy and BiK rates (to at least 2025) creates an opportunity for Zenith in company car and salary sacrifice markets, where customers can plan properly for their future fleet and employee benefit arrangements.</p> <p>The continuing growth of BEV (and other potential alternative fuels in the future) also creates opportunities in peripheral products and services such as charge points, and maintenance packages that are designed solely for BEVs and other related areas.</p>	<p>Zenith is in the middle of a programme to ensure its technology, processes and funding are fully scalable and designed to support the next phase of growth, from 150,000 vehicles under management to 250,000 vehicles and beyond.</p> <p>Zenith aims to lead the industry in being a sustainable business, as demonstrated by its joining the EV100. The business also supports customers to transition to zero emission by providing procurement and policy advice to fleet customers, and by providing offers and packages that focus on electric vehicles.</p> <p>Zenith works actively with industry groups, BVRLA and Logistics UK to respond to consultations and lobby government departments on policy initiatives that will support fleet operators in leading the way in the transition to cleaner transport solutions.</p> <p>Launched three years ago, Zenith's personal leasing platform, ZenAuto, now has more than 9,000 cars on the road and continues to grow rapidly with over one-quarter of the order intake now BEV.</p>

GEOPOLITICAL AND MACROECONOMIC UNCERTAINTY

INDUSTRY TREND/IMPACT	IMPACT FOR ZENITH	FUTURE OPPORTUNITIES/ CHALLENGES	RESPONSE
<p>The industry has seen sustained turbulence resulting from Brexit, the introduction of Worldwide Harmonised Light Vehicle Test Procedure (WLTP), the global semiconductor shortage, the COVID-19 pandemic and most recently the war in Ukraine.</p> <p>The consequences have been unprecedented disruption across supply chains, a significant fall in the number of new vehicle registrations, and materially extended lead times. Used car prices have increased as demand has exceeded supply.</p> <p>Post-Brexit, government's policy focus has shifted with increased alignment to decarbonisation reflected in tax incentives to encourage the adoption of electric vehicles.</p> <p>The economic impact of the pandemic has been profound in many ways, not least in increasing the move to online shopping, including for motor cars.</p>	<p>Zenith has benefited from its strong presence in sectors that have proven to be resilient through the turbulence including food retail, home delivery, distribution, logistics, parcel delivery, construction and related services. Online shopping has been a key driver of fleet growth and Zenith is a market leader in this segment of the market.</p> <p>Increased consumer propensity to source their cars online has helped to fuel significant growth in ZenAuto, which has seen its fleet increase to over 9,000 vehicles within the past year.</p> <p>Whilst the supply chain issues have suppressed the volume of new vehicle deliveries, Zenith has continued to secure orders with the order bank reaching a record high of over 14,000 at the year end.</p> <p>The increased lead times for new vehicles have led to a record number going into extension which is positive for Zenith's lease margins. Strong used car values have also benefited end of contract income for Zenith.</p>	<p>The outlook for company cars is as positive as it has been for some time with tax policy likely to remain aligned to the decarbonisation agenda meaning that the provision of an electric vehicle to employees by companies whether as a perk, for essential use or through a salary sacrifice scheme will be a positive driver of fleet growth.</p> <p>Whilst the initial surge in online shopping that accompanied the pandemic has eased, the medium to long-term prognosis for home delivery and parcel delivery remains very positive, with significant investment continuing to be attracted into these segments of the economy.</p> <p>Used car values are expected to ease back from the unprecedented highs of the past 18 months but we do not expect them to normalise back to historic levels due to a combination of three factors: the permanent loss of some two million new cars from the car parc in 2020 and 2021, the increased demand for the remaining ICE vehicles in the parc as we approach 2030, and the impact of higher value electric vehicles feeding into the used stock.</p>	<p>Zenith has continued to invest heavily in both technology and brand positioning throughout the uncertainty of the past two years, such that the business now has a strong, established and differentiated position in each of its three channels to provide mobility solutions across all vehicle types from motorcycles to cars, and from light commercial vans to the heaviest trucks, sets it apart in the market.</p> <p>The One Zenith proposition is increasingly recognised and valued by customers who see the benefit of working with a strategic partner across all aspects of their fleet.</p> <p>This means that Zenith is able to move with agility across the B2B, B2B2E and B2C channels according to customer need and market conditions.</p>

STRATEGIC REPORT

MARKET OVERVIEW CONTINUED

Our proposition, One Zenith, has increased Zenith's target market from five million to 15.6 million vehicles, representing an attractive and high growth segment of the market. We have a significant presence in the salary sacrifice and Commercial segments which are both growing, whereas our market share is small in the nascent business areas such as ZenAuto, where the target addressable opportunity is vast. These dynamics provide great scope for significant future growth.

The "One Zenith" approach means that we provide a single source for market-leading mobility solutions for funding and services across our corporate, commercial and consumer divisions, and take advantage of the synergies across these divisions.

ZENITH AIMS TO SET THE STANDARD FOR REGULATORY COMPLIANCE

ZENITH CAN MOVE WITH AGILITY ACROSS THE B2B, B2B2E AND B2C CHANNELS

ZENITH'S TECHNOLOGY PLATFORM SETS IT APART WITH £25M INVESTED SINCE 2020

ABILITY TO ADAPT AND SCALE IN TODAY'S MARKETS REQUIRES MODERN FLEXIBLE SYSTEMS

DIGITISATION IS TRANSFORMING HOW ZENITH INTERACTS WITH ITS CUSTOMERS



INCREASING REGULATION

INDUSTRY TREND/IMPACT	IMPACT FOR ZENITH	FUTURE OPPORTUNITIES/ CHALLENGES	RESPONSE
<p>The legal and regulatory landscape is becoming increasingly complex, and this is coupled with greater awareness of consumer and individual rights.</p> <p>Recent years have seen a tightening of legislation generally, and particularly in the areas of consumer and data protection. Additionally, there is an improved awareness of regulation in the market, and stakeholders are able to hold businesses to account much more easily.</p> <p>Specific developments include:</p> <ul style="list-style-type: none"> · The introduction of the Financial Conduct Authority (FCA)'s new Consumer Duty, with a focus on customer outcomes and transparency · Data subject rights in respect of data protection · Consumer rights generally · A greater focus on modern slavery, anti-bribery and the sustainability agenda. 	<p>The business operates several of its services in highly regulated markets. Zenith regularly reviews and assesses all aspects of its operations to ensure continued compliance with the law and associated regulations.</p> <p>Financial crime and sanctions requirements mean that Zenith closely monitors those with whom it does business.</p> <p>New engagements, suppliers and processes must pass stringent checks and balances before approval, involving legal, compliance and information security teams.</p>	<p>Increased cost burdens, plus increased costs of compliance and the requirement to embed policy across all areas of operation, are increasing barriers to entry for smaller players, which creates a significant opportunity for Zenith.</p> <p>By providing a less complex solution than that which is offered by the majority of competitors (PCH versus PCP), Zenith makes personal leasing simple for consumers.</p> <p>Demonstrating Zenith's core values, delivering excellent customer outcomes, being a custodian and partner to stakeholders, and demonstrating a strong compliance record, all give Zenith the ability to set itself apart in the market.</p>	<p>Zenith aims to set the standard that others follow.</p> <p>Zenith operates frameworks and embeds policy and processes across the business with the principal aim of achieving best practice and compliance with applicable laws and regulations.</p> <p>Zenith regularly assesses risks to the business, its customers, its investors and to the wider public.</p> <p>Zenith strongly believes in ethical business practice, and demonstrates this belief through the transparency it provides across all activities, as well as those of the supply chain.</p>



RAPID TECHNOLOGICAL CHANGE

INDUSTRY TREND/IMPACT	IMPACT FOR ZENITH	FUTURE OPPORTUNITIES/ CHALLENGES	RESPONSE
<p>The automotive sector is experiencing transformational, technology-driven change as the move to new power trains accelerates.</p> <p>While fully autonomous driverless vehicles still face many hurdles before there is any realistic prospect of them becoming a significant element of the market, the driving experience is increasingly technology enabled.</p> <p>Vehicles are also rapidly becoming a source of large volumes of data and increasingly connected, and this is set to transform maintenance and servicing.</p> <p>Digitisation of driver services, supply chain, sales and distribution processes is moving forward at pace and transforming both the user experience and how business is conducted.</p> <p>This in turn has required companies to invest in new technology to meet customer needs, collaborate effectively with partner organisations and to remain competitive.</p> <p>Businesses with new, flexible systems will be able to capture growth.</p>	<p>Technology is at the heart of the Zenith business model and has been a point of differentiation for over 20 years as the Group has constantly innovated and sought to lead the market. As Zenith has grown, both organically and through acquisition, its technology estate has increased in sophistication.</p> <p>In 2020 Zenith adopted a clear strategy to simplify and re-engineer its technology environment to enhance the experience of customers and to increase operational efficiency through the creation of a single, highly scalable contract management platform.</p> <p>This will support the growth of the business through the next ten years and beyond, and will put Zenith into a unique position compared to its competitors.</p>	<p>The huge investment Zenith has made, and continues to make, in technology, systems and processes will deliver significant benefits for customers, suppliers and employees alike.</p> <p>This will underpin Zenith's ability to achieve its growth ambitions, reduce the cost to serve, and enable it to remain at the forefront of the industry.</p>	<p>Zenith has invested over £25 million in technology within the past three years to develop highly flexible and scalable systems that will support its propositions across all three channels.</p> <p>Having established ZenAuto on the Sofico Miles contract management platform, we have successfully re-platformed the Commercial business onto Miles and now have around 40% of the total fleet on this platform. The majority of the Zenith fleet will be on Miles by the end of 2024.</p> <p>This technology platform will also enable further M&A to be integrated more quickly.</p>

OUR BUSINESS MODEL

KEEPING ZENITH SUSTAINABLY COMPETITIVE

WHAT WE HARNESS

Our independence

- We are the UK's number one independent specialist for vehicle mobility
- Independent of any bank or lender - free to offer various funding types to suit customers' needs
- Independent of any vehicle manufacturer - free to offer any make, marque or model, with no conflict of interest; impartial to any drivetrain decision.

Our 'balance sheet light' model

- Using our own balance sheet capacity sparingly
- Utilising third-party financing to fund the vehicle fleet, via a deep and broad pool of funding options.

Our carefully selected market segments

- Focused on market segments that suit our approach and strategy.

Our base of attractive 'prime' customers in every channel

- Blue chip, mid-to-large cap corporates in the B2C channel - > 50% of our publicly-rated customers are Investment Grade
- Prime and super-prime consumer credit.

Our balanced approach to underwriting risk products

- Consistent, prudent and balanced approach to residual value risk and maintenance risk
- Focus on stable approach to pricing new leases, rather than allowing short-term targets or conflicting objectives to determine lease pricing.

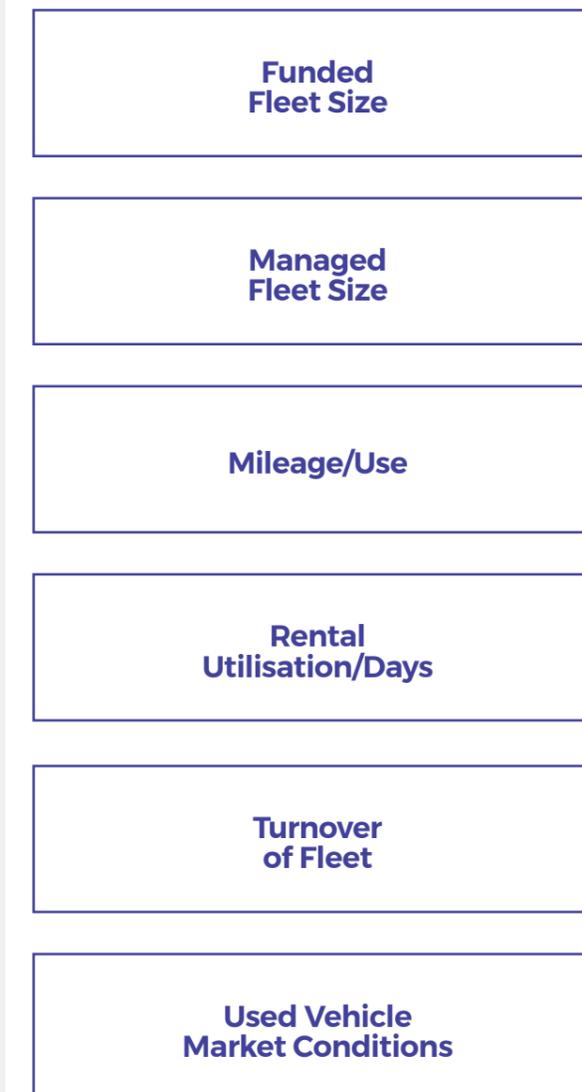
Our unique, performance-driven culture

- Employee-ownership is widespread and deep; approximately one-third of our employees own shares in Zenith.

OUR INCOMES...



...ARE DRIVEN BY



WHAT WE CREATE: THE RESULTS

Our track record of customer service and therefore customer retention

Top 20 clients have average tenure of 11+ years

Our customer satisfaction scores demonstrate exceptional customer service

Consumer: ZenAuto's Trustpilot score of 4.8 is industry-leading

Our chosen channels are positively exposed to favourable structural trends

Transition to EVs and 'the dash to electric'

Our performance in Best Companies

Regional and industry winner in 2021 Best Companies survey

Our exceptional financial profile

Cash conversion rates of 83% across FY2020-22

Highly visible and recurring income

Contracted and scheduled income formed 72% of gross profit in FY22

FIVE POINT STRATEGY FOR ACHIEVING OUR VISION



Martin Jenkins
CEO - Commercial Division and
Group Strategy Director

-  Be pre-eminent in our chosen markets
-  Embed sustainability throughout the business
-  Be the employer of choice in our sector
-  Make a positive impact on society
-  Create value for our stakeholders

Guided by our values, on paper they're just words. They've been chosen because they reflect the best of what we do, but we have to prove them every day through our actions. One thing's for sure: if we all live up to our values, we'll all enjoy the rewards.

INNOVATIVE
PASSIONATE
AGILE
PROUD
DRIVEN
HONEST

PURPOSE:

“To provide sustainable, innovative vehicle mobility solutions.”

VISION:

“To decarbonise the UK vehicle parc by eliminating tailpipe emissions.”



OUR STRATEGY CONTINUED

	<p>1. BE PRE-EMINENT IN OUR CHOSEN MARKETS</p> 	<p>2. EMBED SUSTAINABILITY THROUGHOUT THE BUSINESS</p> 	<p>3. BE THE EMPLOYER OF CHOICE IN OUR SECTOR</p> 	<p>4. MAKE A POSITIVE IMPACT ON SOCIETY</p> 	<p>5. CREATE VALUE FOR OUR STAKEHOLDERS</p> 
<p>How are we going to deliver our strategy?</p>	<ul style="list-style-type: none"> Be a collaborative partner, creating strategic relationships using Zenith's independent, scaled funding and vehicle mobility service credentials Provide the personal car leasing model, removing barriers of entry to usership and risk of change Grow the funded fleet and its recurring revenue, delivering compelling solutions to large fleet customers and prime retail consumers Grow additional revenues by focusing on leveraging our in-life services, our direct delivery capabilities and increasing our penetration of the commercial vehicle rental market Undertake selective M&A activity aligned with our strategy where this enhances our capabilities, increases our scale or provides synergies. 	<ul style="list-style-type: none"> Operate a funding structure that is sustainable, scalable and competitive Implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) ahead of the requirement to publicly disclose Extend carbon neutral status to the in-house maintenance operation (acquired in 2020) By 2024, Zenith's own employees, where they are entitled to drive a company car, will all be driving BEV's. Six years ahead of the EV100 target date Develop emissions reduction targets validated by the Science Based Targets initiative (SBTi) to achieve net zero for Zenith Deliver a single one-stop asset management tech platform, scalable to over a million vehicles Sustain and develop resilient and scalable operations with supply chain excellence. 	<ul style="list-style-type: none"> Develop and communicate a long-term people strategy, our 'People Promise' Design our business for success, so our roles have purpose and we are ready to scale Build brilliant teams, with inspiring leaders and colleagues who can be the best version of themselves Cultivate a thriving culture, with inclusion everywhere and where colleagues care for each other Ensure a fair deal for all and an exceptional colleague experience, from recruitment to retirement. 	<ul style="list-style-type: none"> Place ESG at the centre of the culture and adopt it as a guiding design principle, to ensure Zenith acts responsibly, leading by example across the industry Commit to the SBTi, to set a robust emissions reduction target at the pace and scale required by climate science to reach net zero emissions by 2050 Make alternative fuel vehicles more accessible for consumers by providing great value solutions, as well as guidance and support through the transition Influence the public policy agenda through thought leadership, data and insights Continue to develop and evolve our community and fundraising efforts, particularly partnerships with local schools and colleges. 	<p>Zenith creates and adds value across its stakeholder community through a relentless focus on understanding the interests of all those it interacts with, and by collaborating to achieve the best possible outcomes.</p> <p>Businesses By understanding business customers, their objectives, challenges and how their fleet can influence these, Zenith supports them in delivering against their strategic plans 11 years - Top 20 average client tenure</p> <p>Consumers ZenAuto provides a great value solution, is transparent, honest and easy to interact with, and delivers great outcomes for consumers 4.8 Trustpilot rating</p> <p>Suppliers Zenith creates long-term sustainable partnerships with high-quality engagement and transacting with ease, enabling our supply chain to deliver for our customers and against their own plans</p> <p>Regulators Zenith aims to set the industry standard, ensuring it is compliant and easy to audit Zero material breaches</p> <p>People Zenith is creating an environment where people can thrive, be themselves and enjoy a rewarding career 2 star Best Company</p> <p>Investors Zenith provides a sustainable investment opportunity, delivering attractive returns for debt and equity investors Dozens of new debt investors attracted to Zenith via its inaugural green bond</p> <p>Communities Zenith aims to represent, support and create value for local communities around its sites through charitable giving, colleague volunteering and school partnerships. Raised over £40,000 for charitable causes</p> <p>See also: 70 - ESG - Social - Community 76 - Section 172</p>
<p>What value will this create?</p>	<p>High quality sustainable earnings underpinned by long-term customer relationships where Zenith is valued as a strategic partner by companies and a trusted provider by consumers.</p>	<p>Maintain Zenith's position as a leader in its sector, enable the business to achieve its Purpose and Mission and create a platform for sustainable growth.</p>	<p>Our 'People Promise' aligns with our business plan, ensuring we have high performance operations that deliver our purpose and vision, plus growth and shareholder returns.</p>	<p>This objective is a moral responsibility; it also positively impacts the business as customers, colleagues and investors become ever more ESG aware and focused.</p>	
<p>Key achievements</p>	<ul style="list-style-type: none"> FN50 Customer Service Team award winners Zenith total fleet increased by 10% to 162k units in the past year Launch of ZenAuto above-the-line advertising ZenAuto fleet grew by 64% Renewed significant customer contracts in the supermarket, energy, logistics, and professional services sectors Grew Zenith funded fleet by 5% to 70k units Acquired and successfully integrated the Cartwright Fleet Services and Trailer Rentals businesses transforming the scale and capabilities of our Commercial Division. <p>See also: 32 - Customer impact 28 - ZenAuto; Transforming consumer leasing</p>	<ul style="list-style-type: none"> Zenith raised the UK vehicle leasing sector's largest green bond Delivered new securitisation facilities that will support the majority of our medium-term funded fleet Achieved carbon neutral status, verified by Carbon Footprint Repaid furlough support payments received during the pandemic. <p>See also: 46 - Powered by technology 72 - Climate-related financial disclosures 88 - Risk management</p>	<ul style="list-style-type: none"> Zenith maintained its Best Companies 2 star rating throughout the pandemic Top 15 business services Launched a diversity and inclusion strategy Launched an 'Online Academy' training platform 12% improvement in acquired Cartwright business in first year High proportion of Kickstarters became permanent employees. <p>See also: 64 - ESG - Social - People</p>	<ul style="list-style-type: none"> Signed up to EV100, committing to transition the cars and vans procured for customers by 2030 Committed to the SBTi Joined the Business Ambition for 1.5°C campaign 58% of car order bank is electric/BEV (alternative fuel vehicles) 8 of top 10 car models ordered are electric/AFV. <p>See also: 58 - ESG - Our approach, materiality and commitment 62 - ESG - Environment</p>	

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

FINANCIAL AND NON-FINANCIAL KPIs LINKED TO OUR STRATEGIC GOALS

FINANCIAL KPIs

GROSS PROFIT

£136.2m +32%

FY22	£136.2m
FY21	£103.2m
FY20	£96.4m

Definition: Otherwise known as total income, measured as turnover less cost of sales, which includes the cost of funds on vehicle fleet borrowings and the depreciation cost of vehicles in the funded fleet.

Strategic objective this is linked to: Be pre-eminent in chosen markets. Create value for our stakeholders.

Performance narrative: See CFO's Statement.

Relevant risks and opportunities: Refer to Our Strategy, Risk Management and CFO's Statement.

ADJUSTED EBITDA

£78.2m +27%

FY22	£78.2m
FY21	£61.5m
FY20	£58.3m

Definition: EBITDA after adding back the losses of ZenAuto.

Strategic objective this is linked to: Create value for our stakeholders.

Performance narrative: See CFO's Statement.

Relevant risks and opportunities: Refer to Our Strategy, Risk Management and CFO's Statement.

EBITDA

£74.7m +29%

FY22	£74.7m
FY21	£58.1m
FY20	£56.1m

Definition: Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items (but after deducting finance costs and depreciation relating to vehicles leased to customers), as a proxy for the cash profit of the Company before financing, tax and capital expenditure.

Strategic objective this is linked to: Create value for our stakeholders.

Performance narrative: See CFO's Statement.

Relevant risks and opportunities: Refer to Our Strategy, Risk Management and CFO's Statement.

CASH CONVERSION

68%

FY22	67.7%
FY21	117.7%
FY20	66.1%

Definition: Adjusted operating cash flow is net cash flow prior to interest service costs (on debt other than fleet funding), tax, and capital expenditure (on items other than vehicle fleet).

Strategic objective this is linked to: Create value for our stakeholders.

Performance narrative: Refer to CFO's Statement.

Relevant risks and opportunities: Refer to Our Strategy, Risk Management and CFO's Statement.

NON-FINANCIAL KPIs

FUNDED FLEET

70,155 units +5%

FY22	70,155 units
FY21	66,744 units
FY20	54,112 units

Definition: Vehicles that we finance through one of our funding lines, for which we then can provide a variety of in-life and disposal services.

Strategic objective this is linked to: Be pre-eminent in our chosen markets.

Performance narrative: Refer to CFO's Statement.

Relevant risks and opportunities: Refer to Our Strategy, Risk Management and CFO's Statement.

MANAGED FLEET

91,886 units +14%

FY22	91,886 units
FY21	80,459 units
FY20	89,534 units

Definition: Vehicles that are financed and purchased by our customers rather than by us, but for which we manage some or all of the vehicles in-life service requirements.

Strategic objective this is linked to: Be pre-eminent in our chosen markets.

Performance narrative: Refer to CFO's Statement.

Relevant risks and opportunities: Refer to Our Strategy, Risk Management and CFO's Statement.

EMPLOYEE ENGAGEMENT

2 star Best Company

for the third year running



Definition: The Best Companies employee survey score, on a fixed scale of 0-1,000, based on independent, anonymous employee survey results.

Strategic objective this is linked to: Be the employer of choice in our sector.

Performance narrative: Refer to 'Powered by people' section.

Relevant risks and opportunities: Refer to Our Strategy, ESG and Risk Management.

CUSTOMER EXPERIENCE

4.8 stars

which is industry-leading



Definition:

Corporate: Net Promoter Score – how likely would a customer recommend the product or service.

Commercial: Customer scoring, based on five critical service areas.

Consumer: Trustpilot, an overall measure of reviewer satisfaction.

These KPIs are linked to the employee bonus scheme, which is an annual, performance-based scheme. Bonus pay-outs under the scheme are linked to:

- Profit achievement (EBITDA performance versus budget benchmark)
- Customer satisfaction (achievement of a benchmark KPI above)
- Personal or team objectives (which vary between the teams, but link back to the remaining strategic objectives).

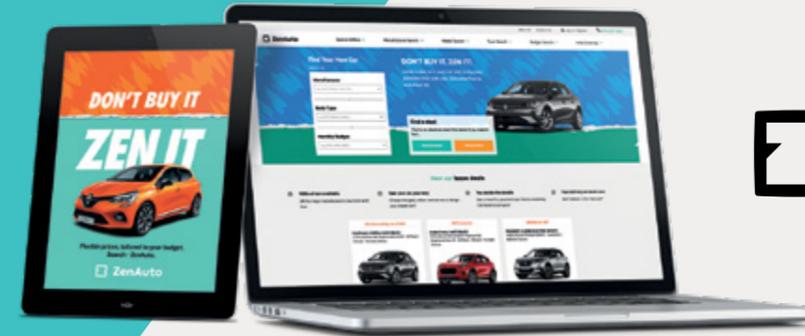
Ultimately, the scheme is discretionary, but designed to incentivise performance that aligns to our strategic objectives and this range of KPIs.

HIGHLIGHTS OF THE YEAR ENDED MARCH 2022



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ZENAUTO DRIVING GROWTH IN THE DIGITAL CONSUMER DIVISION



John Tracy
CEO - Consumer Division

“Customers are looking more and more to leasing for their mobility needs. The flexibility and affordability of our leasing solution, combined with our leading customer experience delivered through a digital and human supported journey, enables us to stand out in the marketplace.”

THE FOUR KEY MARKET TRENDS



Mobility preferences are changing

A growing number of consumers prefer to find their next car online. The digital journey can save time and be more convenient when compared to the dealership model. ZenAuto provides a human-supported digital journey where our customers can get help from our independent car experts across a wide range of makes and models to find the vehicle that meets their needs all without leaving the comfort of their homes.



Flexible ways to get mobile

Leasing and Personal Contract Hire is a flexible, affordable way for consumers to get a car. By simply selecting the lease term, initial payment and annual mileage they require, customers generate an instant monthly rental quote that is easy to understand and compare with other deals. Unlike Personal Contract Purchase (PCP), there is no balloon payment or disposal of the car at the end of the contract, customers simply hand back the car and choose their next car.



Digital increasingly attractive to customers

Over the course of the last several years, consumers have become increasingly more comfortable making large purchases online. From Amazon and Currys to Ocado, and John Lewis, retail is moving online. Many people love making purchases after completing their research online.



The transition to electric vehicles

Consumers are increasingly selecting battery electric vehicles (BEV) for their next car. Nearly 50% of all consumers looking to find their next car are considering an electric vehicle. Whether it's for environmental/sustainability reasons, the latest technology, better value (total cost of operating a car) or just for the fun of it, consumers want to go BEV. ZenAuto can support our customers in the transition to BEV. And as the range of cars changes or new technology become available ZenAuto future proofs their choices by providing a means to move to their next car at the end of their contract.

THE DRIVE TO LEASING

The retail car market

Since January 2019, nearly six million individual consumers have sourced a new car. Customers used various forms of auto finance for approximately

90%
of those cars.

The market is expanding rapidly

Leasing is becoming a preferred means for consumers to get their next car. The leasing market grew by

13.9%
per annum between 2018 and 2021.

BEVs are a key leasing driver

BEVs have grown from 2% of the new car market in 2019 to almost 12% in 2021, and 2022 is showing another year of robust BEV growth. Approximately

50%
of consumers are considering a BEV car for their next vehicle.

ZENAUTO PROPOSITION

Differentiated customer experience

ZenAuto is with our customers for every mile. From finding their next car through every day they are operating a ZenAuto vehicle, we are there to support them when they need us.

Digital proposition backed by human support

A simple, intuitive digital proposition that is transparent and easy to understand. And when our customers need to talk to a human, our Car Experts are there to help them.

Access to manufacturer brands

Through our deep relationships with OEMs, we are able to procure attractive cars at compelling values across all major categories.

Growing brand awareness - 'Don't Buy It, Zen It'

Digital and above-the-line (ATL) marketing that focuses on creating awareness of ZenAuto and generating demand for the ZenAuto offer. Our brand is positioned to stand out in a crowded, fragmented marketplace. 'Don't Buy It, Zen It' positions ZenAuto as the better way for customers to get their mobility needs met.

A brand consumers can trust

With strong governance, oversight and controls as well as being regulated by the FCA, we are a business consumers can trust throughout their experience to do the right thing.

STRATEGIC REPORT

CASE STUDIES - TRANSFORMING CONSUMER LEASING CONTINUED

BUILDING A MOBILITY POWERHOUSE WITH STRONG BRAND AWARENESS

Supplementing our digital marketing strategy, ZenAuto launched an extensive ATL campaign in 2021/22, anchored by 'Don't Buy It, Zen It'. We continue to build our brand around key mobility needs focusing on leasing, customer experience and BEVs as the foundation of our proposition.



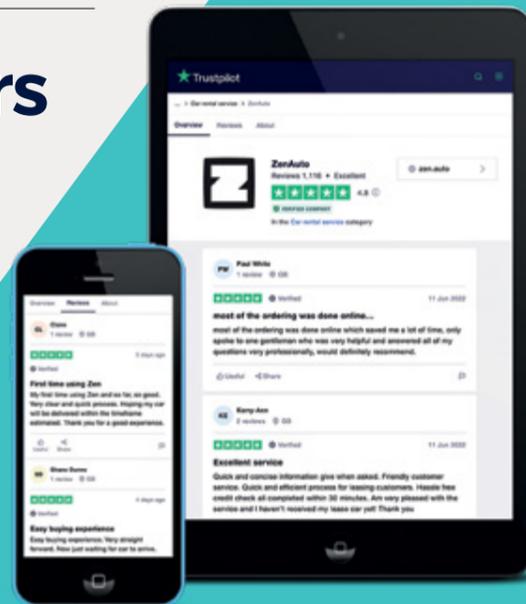
DELIVERING ON OUR PROMISE OF AN EXCEPTIONAL CUSTOMER EXPERIENCE



NUMBER OF TRUSTPILOT REVIEWS
1,100+

RATED EXCELLENT
4.8/5 stars

"From browsing the ZenAuto website (very user friendly), to completing the online paperwork (quick, easy to understand and stress free), to delivery, everything was seamless. The team are super friendly and knowledgeable. I couldn't have asked for a better service. I wouldn't hesitate to recommend ZenAuto to friends and family."



DELIVERING GROWTH

ZenAuto has been able to deliver strong growth by leveraging the changing preferences of consumers in regards to meeting their mobility needs. 'Don't Buy It, Zen It' encapsulates our view for many customers; there is no better way to be mobile than leasing.

ZenAuto's progress can be seen in the rapid growth of the business:

- Our fleet and order bank combined has grown at over 130% p.a. from mid-2020 to the end of FY2022
- BEVs have increased from 6% of the fleet and order bank in January 2019 to 25% of the fleet and order bank in May 2022.

ZenAuto's strategy is focused on customer experience as the primary means to differentiate ourselves from competitors. With customer experience

being at the heart of ZenAuto's strategy, our Trustpilot reviews are a critical feedback loop telling us how our customers are feeling about their ZenAuto experience. With a rating of 'Excellent' and achieving 4.8 out of 5 stars, we feel we're on the right track.

Given the size of the car leasing market, ZenAuto has the opportunity to grow its fleet and market share significantly in coming years. We are targeting a fleet of 70,000+ cars by the end of 2025. In addition, we see areas such as used car leasing and all inclusive subscription as significant opportunities to grow the ZenAuto business. Taken as a whole, Zenith's Consumer business (comprising ZenAuto and Zenith White Label) has the capability and experience to scale the business in line with our vision.

GROSS PROFIT IN FY22

£5m

+171%

ZENAUTO FLEET AND ORDER BANK GROWTH 2020-2022

130%

Annual growth rate

BEV AS A % OF TOTAL FLEET AND ORDER BANK

25%

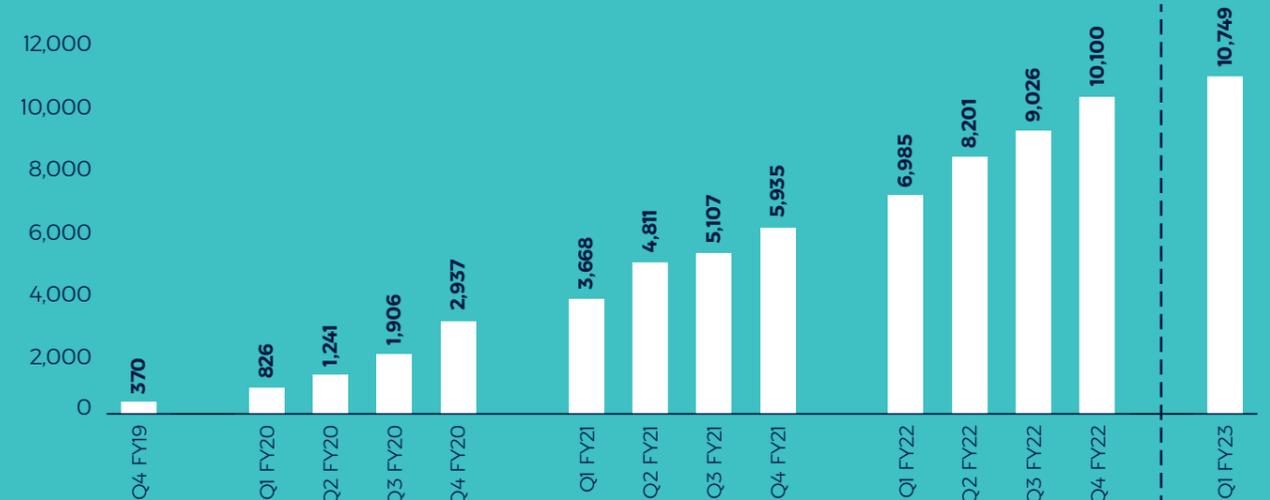
May 2022

FLEET ASPIRATION BY 2025

70,000+

Cars

FLEET AND ORDER BANK QUARTER OVER QUARTER GROWTH



STRONG PERFORMANCE IN CORPORATE AND COMMERCIAL DIVISIONS



Ian Hughes
CEO - Corporate Division



SAINT GOBAIN AND ZENITH HAVE WORKED TOGETHER FOR OVER 20 years

SAINT-GOBAIN - A LONG-TERM PARTNERSHIP FOCUSING ON CONTINUOUS IMPROVEMENT

Zenith and Saint-Gobain have worked in partnership for over two decades, with Zenith providing the management of 1,000 company cars and more than 1,500 HGVs. This relationship is delivered across a variety of Zenith departments, leverages a large and complex supply chain, and supports 3,000 Saint-Gobain stakeholders including drivers and depot-based colleagues.

The pandemic brought with it a number of challenges for Saint-Gobain, including the suspension and remobilisation of its fleet in response to government restrictions. To ensure safety, the remobilisation required hundreds of vehicle and ancillary equipment inspections, the retrieval of relevant documentation, and checks to ensure all repair work was compliant.

The teams worked closely together, and Zenith's trusted relationships with its supplier network meant that the Saint-Gobain fleet was able to secure priority workshop slots in a competitive marketplace. Zenith also worked with manufacturers to agree bespoke arrangements for existing maintenance contracts, achieving a cost saving of £0.25 million.

Saint-Gobain has also evolved its business model, from a localised operating model to a national online model. This led to changes in the nature and operation of the fleet, with greater emphasis on network requirements and vehicle uptime. Zenith worked with Saint-Gobain to adapt to these changes, providing support through a transition programme to deliver the new model. Zenith continues to achieve 97.5% fleet availability for Saint-Gobain despite increased usage and mileage.

“Zenith is a proven and trusted strategic partner to Saint-Gobain UK’s fleet operations... Zenith not only ensures that our fleet is compliant but also keeps us moving with cost and operational efficiencies... it’s a real added value partnership.”

Ian Berrill
Transport and Supply Chain Solutions Director, Saint-Gobain

ASDA - THE FIRST UK SUPERMARKET WITH A BEV-ONLY CAR POLICY

Zenith has been a trusted Asda partner for over 20 years, managing the Asda car fleet, their 1,800-strong delivery fleet, and the HGV distribution fleet. As well as helping Asda to ensure its fleet remains compliant and available, Zenith provides added support during peak periods through the provision of additional trailer capacity.

As part of their strategy to become a net zero business by 2040, Asda challenged Zenith to support them in becoming the first UK supermarket to operate a BEV-only car policy. Asda was looking for a policy that delivered electrification, while ensuring it could meet the diverse needs of the business and its employees; one that would be cost efficient, and still provide access to a wide range of suitable vehicles.

Zenith worked in partnership with Asda to model the impact of the proposed transition and deliver a new policy, which launched in 2021. The rollout of the policy will see Asda make a full transition by 2024, while enhancing employee engagement and providing access to a range of premium BEVs. The initiative is projected to deliver a saving of 2,400 tonnes of CO₂.



“WE’RE PROUD TO BE SUPPORTING THE ESG AMBITIONS OF OUR CUSTOMERS.”

NUMBER OF CARS UNDER ZENITH MANAGEMENT FOR SAINT-GOBAIN

1,000

MAINTENANCE SAVINGS ACHIEVED BY ZENITH

£0.25m

NUMBER OF HGVs UNDER ZENITH MANAGEMENT FOR SAINT-GOBAIN

1,500

FLEET AVAILABILITY

97.5%



NUMBER OF YEARS ZENITH AND ASDA HAVE BEEN IN PARTNERSHIP

20 years

STRATEGIC REPORT

CASE STUDIES - CUSTOMER IMPACT CONTINUED

ROYAL MAIL GROUP (RMG) INNOVATES WITH A DECARBONISATION ROADMAP AND FLEXIBLE TRAILER SOLUTION

Zenith has been tasked with supporting RMG in their plan to transition to an all-electric car fleet by 2030, with a focus on making BEVs affordable for frontline staff.

RMG also specified a number of other objectives, including simplification and cost efficiency (through scheme consolidation), development of new mileage policies, and incentivising cash takers back into the scheme and out of older internal combustion engine (ICE) vehicles.

To achieve this, Zenith came up with a multifaceted change management programme and delivered a full BEV roadmap and cost saving strategy.

Initiatives included:

- Manufacturer tender to improve support for and access to BEV entry-level grades
- Strategic incentive initiatives to provide flexibility for internal RMG dynamics and future strategy
- Staged phaseout programme to close the legacy schemes and promote adoption of the new scheme throughout the business
- A BEV incentive to accelerate the switch from ICE or hybrid.

To complement these initiatives, Zenith delivered bespoke technology developments, plus a rich and varied communication plan including postcard mailers, workplace blog posts, magazine adverts and bespoke scheme promotions. Our collaborative approach, and the expertise and innovation supplied by Zenith, have provided RMG with a clear roadmap to achieve their decarbonisation goals.

"We've worked closely with Zenith as our trusted fleet partner for over six years. Our relationship doesn't begin and end with vehicles; Zenith understands our business goals as well as our fleet and employee benefits strategy.

Zenith's thorough knowledge of our needs resulted in the plan to consolidate all of our three company car schemes into one all-employee salary sacrifice scheme. The single scheme is closely aligned to our net zero strategy, with the introduction of a Roadmap to 2025 initiative for the decarbonisation of both the company car and business mileage allowances policies, to deliver an all-electric company car fleet by 2030. This is part of our wider ambition to become a net-zero carbon emission business with a 100% alternative fuel fleet.

Zenith has supported our initiative with innovative solutions to encourage and incentivise electric vehicle uptake. They removed early termination fees for perk drivers replacing a petrol, diesel or hybrid company car with a salary sacrifice EV. New drivers opting into the scheme and choosing an EV also receive a cash bonus.

Having a single salary sacrifice scheme makes our vehicle offering much simpler, more efficient and supports our decarbonisation aims. Working alongside Zenith as a strategic partner enables us to focus on our business ambitions and offer more options and a better service to our drivers. We look forward to continuing our partnership."

Ian Dockerill
Employee Share Plans and Benefit Manager, Royal Mail



RMG TRAILERS

In supporting RMG to run a cost effective trailer fleet that meets seasonal demands, Zenith has demonstrated innovation, agility and flexibility. By utilising a storage solution and extending the life of outgoing trailers, Zenith provided continuity of service and supported RMG scale up through peak requirements, all while generating a 40% saving over traditional hire.

ORDERS SINCE JULY 2021
75% BEV

CO₂ SAVING FROM NEXT YEAR'S RENEWALS
4.1m tonnes

OVERCOMING BARRIERS TO TRANSITION - OVO SWITCHES 1,084 LCVS TO ELECTRIC

In their bid to meet demanding carbon reduction targets, OVO Energy sought the help of Zenith to switch 1,084 vans from ICE to electric.

Zenith was tasked with reviewing the operational suitability of the transition and developing a range of initiatives to make the commercial business case viable. Some of the challenges presented to Zenith included supply issues, a need for flexibility for cancellations, and protection from increased costs over the 18-month programme.

In response, Zenith developed a multifaceted solution. All risks and considerations were addressed, and mitigating strategies and initiatives put in place. Zenith undertook operational trials for suitability and agreed bespoke terms with manufacturers, third parties and livery providers, including price protection against cost increases. Zenith also developed a new commercial model to meet the flexibility needs of the client.

This partnership approach led to an order of 1,084 Vauxhall E-Vivaro vehicles, with Zenith initiatives saving £1.38 million. Zenith were able to support OVO unlock significant ESG benefits and secure build slots with guaranteed pricing and risk mitigation.

SAVINGS IDENTIFIED
£12m

VEHICLES IN EXTENSION
6,500

VEHICLES BENEFITING FROM ZENITH PAYMENT SUPPORT DURING COVID-19
2,500

POLICY CHANGES
450

ZENITH AWARDED PRESTIGIOUS FN50 CUSTOMER SERVICE AWARD

In recognition of the outstanding service provided to customers, the Zenith customer relationship management team were awarded the prestigious FN50 award at the 2021 FN50 dinner.

The team have demonstrably led the way on the transition to EV; providing clients with bespoke EV roadmaps tailored to unique business challenges, decarbonisation targets and vehicle requirements.

As well as supporting clients make the switch to EV, and despite the challenging backdrop of the pandemic, the team have supported our customers through supply chain difficulties, new travel legislation and new tax rules, all while going the extra mile to deliver specific client objectives.



TOTAL AMOUNT OVO SAVED WITH ZENITH
£1.38m

KEEPING OUR CUSTOMERS MOBILE IN A CHALLENGING MARKET



Andrew Kirby
CEO - Rental Services

Zenith is one of the largest purchasers of rental in the UK, keeping our customer's mobile as part of our wider corporate B2B fleet solution. Our approach is to manage the entire rental process from setting the policy control, providing a multi-channel booking facility, through to managing the supply chain and driving down rental spend via invoice validation and expert account management focusing on addressable spend such as damage and fuel.

Our in-house management of the hire process combines with the use of a UK wide branch network of national, local and specialist providers to ensure countrywide coverage. In an increasingly challenged market, with widespread shortages of hire vehicles, this multi-supplier approach has proved more resilient for our customers than a single supplier model provided by many of our competitors.

Zenith is also at the forefront of innovation using Smart enabled vehicles accessed via a digital App to supplement supply and to provide flexible car-pooling solutions for customers with regular inter company site travel or geographically remote sites. Our next phase of development will see the greater use of battery electric vehicles (BEVs) fitted with Smart technology to meet our mission to de-carbonise the UK vehicle parc whilst assisting our customers in meeting their net zero targets.

ONE POINT OF CONTACT

- Simplicity for drivers
- Efficiency by joined up approach.

PRO-ACTIVE CUSTOMER SERVICE

- Management of supply partners
- Dedicated customer service team.

COST REDUCTION AND COST AVOIDANCE

- Total view of fleet volume and spend
- Centralised reporting
- Account Manager analysis of trends to drive service, cost and operational improvements.

UNIQUE ATTRIBUTES

Unrivalled vehicle availability

Policy Control - enforcing the customer's user policy to ensure compliance, cost control and reduced liability

Damage validation - ensuring accuracy to reduce administration and cost

Customer Service and Support

Account Management and Reporting

KPI reporting - supply chain performance and customer experience measurement through CES scoring

Invoice validation and challenge

Access to over 1,600 rental branches across the UK, Northern Ireland and ROI

600
CORPORATE CUSTOMERS

1.5m+
MORE THAN 1.5M RENTAL DAYS PER YEAR

30
YEARS OF EXPERIENCE

CAPITA - A DECADE LONG PARTNERSHIP WITH A CHALLENGING MIX OF RENTAL VEHICLES AND DURATIONS TO A HUGE VARIETY OF LOCATIONS ACROSS THE UK AND IRELAND

Zenith has partnered with Capita for over ten years providing a wide mix of Daily Rental vehicles for their broad array of businesses. Working in partnership, we sought to provide a fully outsourced solution for all their rental requirements, not just cars, but ALL their diverse rental needs whilst ensuring best value through removing avoidable costs.

Zenith has provided a dedicated Relationship Management Team with over 30 years of combined experience skilled at both establishing and managing unique supplier partnerships and responding quickly to Capita's dynamic environment as it has acquired or disposed of businesses.

Zenith used its broad supply chain to provide anything from a one-day car hire for a business trip, a specialist vehicle for a specific project, a leasing lead in vehicle all the way through to long-term crewed coach hire as daily transport for the employees working at partner sites.

The Zenith Rental proposition provides Capita with the flexibility it needs to fulfil its own customer contracts which vary in requirement and length of commitment with the reassurance that Zenith works across a broad supplier base to ensure both a competitive, but also a market leading solution in a market that currently has challenging supply constraints. Our focus on addressable spend has helped identify where additional costs can occur, devise processes to reduce and then track subsequent savings.

“In an increasingly challenged market, with widespread shortages of hire vehicles, Zenith's multi-supplier approach, strong National partnerships and dedicated rental team has proved more resilient for our customers.”

STRATEGIC REPORT

CASE STUDIES - ZENITH TRAILER RENTALS

A DOUBLE DECK OPPORTUNITY

UK MARKET LEADER IN THE RENTAL OF DOUBLE DECK TRAILERS

ZENITH TRAILER RENTALS

Zenith Trailer Rentals is the number one supplier for rental double deck trailers in the UK, supporting our customers and the wider logistics sector in achieving their decarbonisation targets.

- Our fleet of over 7,700 trailers is one of the largest, most diverse in the UK and is accessible through our 11 strategically located branches
- Market conditions are constantly evolving and trailer rental provides a dynamic and extremely agile solution for logistics companies, parcel companies, manufacturers and retailers who are experiencing extra demand, need to prepare for a seasonal rise in volumes or who have trailers off the road for service or repair.
- It provides the ability to flex our customers capability, to secure and grow their business with no risk and minimum outlay
- We provide large corporates and smaller operators the resource-delivered at pace that they need to allow them to take advantage of new opportunities
- We help customers to plan for and react to changing levels of demand that helps protect them from economic risk an uncertain future whilst avoiding the complications and commitment of ownership of their own trailers.

THE HGV CHALLENGE

The HGV driver shortage, rising fuel prices in addition to the global need to reduce CO₂ emissions highlighted the need for greater vertical collaboration between manufacturers, retailers, logistics companies and trailer rental suppliers to help minimise the number of trucks on the road and to reduce carbon emissions.

Reducing CO₂ emissions from road freight usually focuses on improving the mpg of trucks or switching to alternative fuels, whilst carrying more freight per vehicle by using double deck trailers is often overlooked, instead of two trailers, two tractor units and two drivers, you have one of each providing a lower cost per pallet, saving CO₂ and reducing fuel costs.

“The advantages of maximising cubic capacity can far exceed any benefits achievable in other areas. The concept is simple: increase payload volume and reduce delivery frequency, hence less mileage, less fuel, less time and, perhaps just as importantly, fewer CO₂ emissions.”

Freight Transport Association

NUMBER OF DOUBLE DECK TRAILERS ON FLEET

1,000+

TARGETED DOUBLE DECK FLEET GROWTH

20%

ADDRESSABLE UK DOUBLE DECK TRAILER MARKET

20,000+

FORECAST YEAR ON YEAR DOUBLE DECK TRAILER PARC GROWTH

20%

STRONG GROWTH

Our commitment to this sector of the industry is reflected in the size of our current order book which numbers over 200 trailers with planned future year on year double deck fleet growth of 20%.

ADDITIONAL PALLET CAPACITY AVAILABLE ON OUR DOUBLE DECKS VS STANDARD TRAILERS

20,000

ANNUAL CO₂ EMISSIONS REDUCTION VS USING STANDARD TRAILERS (TONNES)

8,500+

ANTICIPATED DOUBLE DECK TRAILER MARKET BY 2027

50,000

REDUCES THE AMOUNT OF TRAILERS ON THE ROAD BY

774



STRATEGIC REPORT

CASE STUDIES - ENVIRONMENTAL IMPACT

DRIVING TO NET ZERO

OUR ENVIRONMENT STRATEGY IN ACTION

Climate change is one of the primary issues facing the world, with corporate carbon emissions being a major factor accelerating this change. Zenith must play its part in creating a stable planet for future generations by driving sustainability, internally and with our stakeholders.

Our five-point environmental strategy is:

- Calculating and monitoring our emissions with carbon reduction targets, covering Scope 1, Scope 2 and Scope 3, through Science Based Targets initiative (SBTi) verification
- Reducing the direct impact of Zenith offices and sites, and transitioning the company car fleet through the EV100 commitment
- Influencing customers to transition their own fleets to BEVs, supported by the EV100 commitment and green bond
- Leading suppliers on their own journeys, using science-based targets once validated
- Identification, assessment and target-setting climate change risks and opportunities (see TCFD section).

By delivering on our purpose, vision and strategy, Zenith intends to lead the automotive industry and its stakeholders through the necessary transition to zero emission vehicles, achieving our commitment to net zero by 2050 at the latest. Environmental actions over the past 12 months have helped Zenith to embed sustainability throughout its business culture and ensure a positive impact on society.

GREENHOUSE GAS (GHG) EMISSIONS

Calculating and reducing Zenith's emissions is central to delivering the vision and five point strategy. **This has resulted in a current emissions calculation of 4,675 tCO₂e - which is 4.48 tCO₂e* per employee.**

Total direct Scope 1, Scope 2 and operational Scope 3 carbon emissions calculations are included in the ESG - Environment section of this report. Operational Scope 3 emissions include business mileage from company car travel, flights, trains and hotel stays, plus water usage and emissions from full-time homeworkers.

This calculation does not include the full value chain, including total Scope 3 emissions. The following section details the steps taken so far to understand total emissions, and the actions that will be taken to baseline these, to enable carbon reduction target setting.

SBTi (SCIENCE BASED TARGETS INITIATIVE) COMMITMENT

Companies committing to the Business Ambition for 1.5°C also become part of the UN Climate Champions' Race To Zero campaign.

Over the next 12 months, Zenith will calculate both upstream and downstream Scope 3 emissions. As is the case for most corporate businesses, the majority of Zenith's carbon emissions are generated outside of its operational control in Scope 3. The reduction of these emissions represents the greatest opportunity, and the toughest challenge.

Based on early estimates, the largest components of Zenith's Scope 3 emissions, and its carbon emissions as a whole, will be:

Upstream	Downstream
Manufacture of vehicles procured and leased	Customer mileage in these vehicles
	Maintenance of these vehicles

Over the next 12 months, the Zenith ESG committee will baseline Scope 3 emissions and set out ten-year reduction targets. These will be publicly disclosed following validation by the SBTi. Zenith will then work with stakeholders, specifically suppliers and customers, to implement the actions needed to achieve our targets.

CARBON NEUTRAL

Carbon neutral certification and offsetting is not the whole solution for an environmentally sustainable future. However, it is a vital step, and also aligns with our strategy for having a positive impact on society.

Zenith offsets our Scope 1, Scope 2 and operational Scope 3 emissions by funding projects certified as carbon credits. The ESG committee selects three projects which are put to a colleague vote. Funding is then split across these three projects, proportionate to the colleague vote.



By supporting these projects, Zenith helps to support CO₂ reduction, avoidance and sequestering in society, while improving education and providing resources in the developing world to reduce emissions.

The three projects that we have funded this year include:

1. Tree planting - UK and Brazil
2. Biomass cook stoves - Malawi
3. Solar power project - Vietnam

OUR PARTNERS

SBTi

The SBTi is a partnership between CDP, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact.

The SBTi leads the Business Ambition for 1.5°C campaign, calling for business leaders to set emissions reduction targets in line with a 1.5°C future.

Companies submit their emissions reduction targets to the SBTi for assessment and validation in line with the latest climate science.

EV100

EV100 is a global initiative bringing together companies committed to switching their owned and contracted fleets, up to 7.5t, to electric vehicles and installing charging infrastructure for employees and customers by 2030.

EV100 members are increasing demand, influencing policy, and driving mass rollout, helping to make electric vehicles more rapidly affordable for everyone.

Carbon Footprint

Internationally recognised environmental consultant and auditor.

They provide verification of our carbon emissions and oversee the offsetting projects we fund to award us carbon neutral organisation certification.

CURRENT EMISSIONS

4,675
tCO₂e*

* Tonnes of CO₂ emitted.

CURRENT EMISSIONS PER EMPLOYEE

4.48
tCO₂e*

OUR TARGETS

EV100

Transition the 48,000* vehicles procured for customers and the corporate fleet to BEV by 2030.

* Figure accurate at time of commitment, as shown on the EV100 website.

SBTi

Committed to the Business Ambition for 1.5°C in October 2021.

Targets covering direct emissions and those of the value chain will be validated by the SBTi by October 2023 at the latest.

CARBON NEUTRALITY

Offset direct Scope 1, Scope 2 and operational Scope 3 emissions across the Group by supporting carbon reduction, avoidance and sequestering projects.

GREEN FINANCING

Green bond: spend at least an equivalent sum to bond proceeds (£475 million) on clean transportation (qualifying investments such as BEVs) over two years.

Green financing framework aligned to the ICMA green bond principles and LMA green loan principles.



<https://www.un.org/sustainabledevelopment>

* These figures do not include total Scope 3 value chain emissions.

SUPPORTING EMPLOYMENT THROUGH KICKSTART

Zenith supported the £1.9 billion scheme to bring in fresh talent and provide valuable work experience to those at risk of long-term unemployment, leading to a 65% retention rate from the programme.

PLACEMENTS

20

RETAINED

13



The government implemented a £1.9 billion scheme designed to help those aged 19-24, on Universal Credit and at risk of long-term unemployment, find permanent and sustainable work. The scheme supported businesses by paying 25 hours per week at the national minimum wage, and £1,500 per placement for employability skills training.

KICKSTART SCHEME

The scheme's challenges were widely reported, and Zenith faced some initial hurdles, including low numbers applying for roles despite widely reported record numbers of people searching for jobs, and some interview candidates not arriving.

The Zenith team worked with the Department for Work and Pensions and local Job Centres to understand these challenges and find alternative solutions. Over the summer of 2021 eight business leaders were placed on site at Job Centres to interview prospective candidates as they arrived. This process led to 20 placements being made.

A wide range of skills and experience was in evidence, with some prospective Kickstarters having degrees, others having never worked or gone into further education, and some without a permanent home address.

Having a clear focus on inclusion everywhere and caring for each other meant that the Zenith team was highly motivated to support these young people. The goal was to give them meaningful work experience, so they could secure an ongoing role with Zenith, or find one elsewhere.

The scale of Zenith is such that the team knew they could offer valuable experience to these young people, the start of whose careers had been disproportionately affected by the pandemic.

A SUCCESS STORY

Zenith supported its Kickstarters with a programme from the Prince's Trust. This focused on employability skills training and included monthly catch-ups on CV writing and interview skills.

The leadership board held a welcome pizza night, spending time chatting to Kickstarters in an informal setting and offering inspiration to those who may well become the next generation of business leaders.

Five of the 20 placements were offered permanent roles before the end of the six month programme, with a further eight joining later. These 13 new permanent colleagues represent one percent of the Zenith Group head count today, showing just how successful the scheme has been.



Prince's Trust

20

HAD THE PRINCE'S TRUST EMPLOYABILITY TRAINING



2

ARE NOW ON THE APPRENTICESHIP PROGRAMME



1%

OF HEADCOUNT ARE NOW KICKSTARTERS

GOVERNANCE FOR GOOD

BEING AGILE AND ENTREPRENEURIAL IS VITAL FOR ZENITH, BUT SO IS GOOD GOVERNANCE

Making informed decisions about our partners and supply chain is extremely important to the Group. It helps us understand our wider impact but is also essential for our success and to deliver great customer outcomes. This is demonstrated by the following case study in supplier procurement.

“Governance doesn’t end on contract signature”

Choosing the right supplier has always been important. They are a reflection of Zenith, and we stand alongside our supply chain, rather than hiding behind them. That’s why our procurement governance follows a set plan.

First, with the right internal stakeholders, we thoroughly scope our requirements. Proposals for material goods or services are often accompanied by a business brief setting out the case for investment, SWOT analysis and project timescales. All proposals must link back to our strategy, support the business in its growth and overall proposition, and deliver great customer service. This approach ensures the right people have the right visibility, and is also an opportunity to challenge and test.

When requirements are approved we create appropriate documentation and invite bidders to submit proposals. The tender stage is not only about commercials, rather we expect to receive a detailed explanation of a supplier’s own business and their wider operations. For example, we interrogate suppliers on their approach to sustainability, law and regulation, and their own people,

ensuring they are the right partners for Zenith. We use our own criteria, with the support of models where appropriate, so we weight particular elements that are important. Where necessary, we may also seek external validation from consultants and other feedback to inform our decisions.

Preferred bidders are then taken through our formal due diligence process, where we ask further questions around information security, data protection and compliance. Responses are reviewed by Zenith’s own legal, compliance and information security teams, with engagement and support from the business sponsor and procurement. If necessary, we may complete on-site audits or ask a supplier to remediate areas that fall short of our requirements before we progress to contracting.

Our contracting stage ensures that our risk appetite is met and that any areas for improvement are called out contractually. However, governance does not end on contract signature. Our suppliers are regularly put back through the due diligence process and tested to ensure standards and service levels are achieved through our supplier management programme.

This process enables us to choose and maintain the best supply chain; one which supports and enhances our values, supporting our strategy and maintaining our drive to produce top class customer service.

PROCUREMENT PROCESS



STRATEGY ENABLERS - REINFORCED WITH TECHNOLOGY

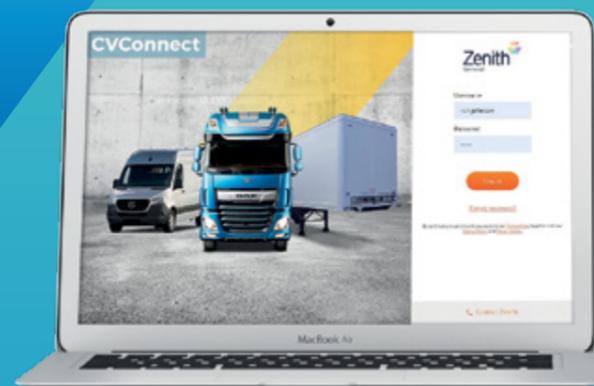
RE-PLATFORMING AND DIGITALLY TRANSFORMING PRODUCTS AND SERVICES

Zenith is only able to deliver best-in-class products and services to customers thanks to the unique combination of people, process and technology we employ.

The business is in the middle of a four-year technological transformation roadmap that has already delivered, and will continue to deliver, market-leading experiences for our customers.

OVER THE MEDIUM TERM, WE WILL:

 <p>Continue to enhance digital capabilities to consolidate our market-leading position</p>	 <p>Deliver best-in-class experiences for customers through updated portals</p>
 <p>Complete the re-platforming of asset and contract management systems to consolidate customer books and base</p>	 <p>Continue to strengthen and scale technology, and upskill teams in line with strategic objectives</p>



Ian Gibson
Chief Information Officer

“Our technology investments are playing a fundamental part in transforming our products and services. Our digitisation, data and mobile agendas are bringing exciting possibilities today and for the future in how we interact with our customers across every aspect of the Zenith business.”

Zenith’s ‘digital and mobile first’ approach has enabled the business to enjoy significant growth over the past 12 months, and empowered us to deliver to the highest standards throughout the pandemic. As ever with technology, this is a work in progress; our capabilities continue to be greatly enhanced by the investment made during the first four years of the transformation roadmap.

There are four primary technology drivers of the business:

- **Digital and mobile first** – makes it easy for our customers to engage
- **Experiential communication and engagement** – provides the dashboards and portals that make customers’ lives easier
- **Big data readiness** – enables better analytics and sharper customer and market intelligence
- **Cloud hosting** – facilitates scale, resilience, agility, continuity and improved performance.

CORPORATE

Already an industry-leading proposition in this channel, Zenith appreciates the need for technological development, both to press for future advantage, and simultaneously coalesce digital aspects of the customer portfolio.

The business is making continuous improvement to empower all customers, whether drivers or fleet managers, with self-serve capabilities via a portfolio of portals and dashboards. Throughout 2022, Zenith will be making technology investments in the Corporate channel to deliver the next generation of portals and customer experiences. We will also be re-platforming the core contract and asset management systems, which will further cement a best-in-class digital experience and service proposition.

COMMERCIAL

Commercial customers also benefit from Zenith’s latest technology investment, with our next-generation digitised fleet management services now being delivered via modernised portals and online intelligent dashboards. Furthermore, in 2021 the business invested in a cloud-based ecosystem for the whole of the Commercial business, re-platforming the heritage Zenith contract and asset management system.

In addition to these strategic investments, Zenith also launched a vehicle inspection app which has been enthusiastically received and secured significant interest on rollout.

CONSUMER

Launching the direct-to-consumer channel, ZenAuto has created the opportunity to develop a bespoke, market-leading platform. This provides each customer concurrently with a digital and mobile portal capable of 0.25 million calculations per second. Designed to be future proof, this platform is unique in the market, enabling dynamic searching, pricing and quoting across the entire UK vehicle range with full option combinations, including colour and trim, and term and mileage permutations.

MAXIMUM FIT FOR MAXIMUM VALUE

With an ambition for all channels to retain best-of-breed status, Zenith takes a specialism for precision approach, applying technology architecture by business channel to ensure maximum fit for maximum value.

A world-class contract and asset management platform underpins the Group’s capabilities and enables scalability. This is reinforced by other shared platforms across the business, which maximise and make the most efficient use of core and common components.

Zenith’s activities and scale generate enormous, and exponentially growing, amounts of data. The business continues to invest heavily in big data readiness, with all the associated benefits, as well as being robustly cyber protected.

The long-term strategy will continue to enhance Zenith’s digital capabilities, to maintain our market-leading position and deliver best-in-class digital propositions and experiences for all customers.

STRATEGY ENABLERS - REINFORCED WITH TECHNOLOGY CONTINUED

Our four primary technology drivers and what they deliver:



1. DIGITAL AND MOBILE FIRST

Class-leading portals, dashboards and online intelligence



2. EXPERIENTIAL COMMUNICATION AND ENGAGEMENT

CORPORATE

CTS/STP efficiency and self-serve driver and fleet manager dashboards

COMMERCIAL

Digitised fleet management services and customer portals

CONSUMER

Ultra-performant vehicle search and calculation capabilities

UNDERPINNED BY

Best of breed architecture application across the business to achieve maximum fit for maximum value

World-class contract and asset management platform scalable to 1m+ contracts



3. BIG DATA READINESS

Data supports and feeds our divisional portals and dashboards with class-leading intelligence

Enables the development of an operational data store and ultimately a data lake eco-system

Cyber security and monitoring (SOC & SIEM)



4. CLOUD HOSTING

Cloud (Azure) facilitates scale, resilience, agility, continuity and improved performance

PROGRESS IN FINANCIAL YEAR 2021-22

CORPORATE

- Re-platforming and digitisation programme initiated.

COMMERCIAL

- Re-platformed contract and asset management system
- Portal refresh and full digitisation
- Vehicle inspection app launch
- Full ecosystem build and all technology migrated to cloud (for the former Cartwright businesses).

CONSUMER

- New product developed for the used personal contract hire (PCH) market
- Above-the-line (ATL) promotion; readiness for campaigns with tracking and tagging.

CYBER

- SOC and SIEM monitoring implemented, firewall upgrades, DDoS defences enhanced.

LOOKING AHEAD

CORPORATE

- Re-platform contract and asset management system for new customer orders and business
- New portal and digital proposition for customers
- Operational contact management (OCM) unification.

COMMERCIAL

- Re-platform contract and asset management system (in former Cartwright businesses)
- Re-platform workshops, parts and MSU applications
- Re-platform trailer rental applications
- Benefits - Tech-enabled transformation, crystallisation and realisation.

CONSUMER

- Digital roadmap - In-life digitisation and self serve, omnichannel emulation and unification.

DATA AND ANALYTICS

- Discovery and phased delivery of cloud-based data repository, tooling and digitised intelligence propositions with pathfinding for future big data readiness.

INFRASTRUCTURE

- Progressive migration of Zenith infrastructure ecosystem to cloud.

STRATEGY ENABLERS - POWERED BY PEOPLE

THE ZENITH 'PEOPLE PROMISE'



Stuart Price
Chief People Officer

“Our ‘People Promise’ touches every part of the business. It clarifies what people can expect from us and what we expect from them. It’s clear about what from our history we must protect, and what for our future we have to change. It ensures we structure the business for rapid scale and growth, create teams who deliver for our stakeholders and have a thriving culture that the best people want to work in.”

People and culture have always been central to the success of the Zenith Group.

As the business has diversified, the size of the growth opportunity ahead, and the changing expectations of colleagues and stakeholders, made it clear that a strategic review would be valuable.

Our resulting people strategy – called the Zenith ‘People Promise’ – is a platform for future success. The ‘People Promise’ was finalised in March 2022 and is being launched to leaders and colleagues across the business throughout financial year 2022-23 (although Zenith has been delivering against the focus areas contained in the strategy throughout financial year 2021-22).

FOCUS AREAS OF THE ‘PEOPLE PROMISE’ EXPLAINED

Zenith is a business aiming to double in size over the next three years. To ensure success, the **Designed for growth** programme is taking a critical and strategic look at every part of the business. This will enable Zenith to develop structures, systems and processes that are ready to scale, and roles that have purpose – that is, roles that are designed with Zenith people and customers in mind.

The business created 198 new jobs in the communities in which it operates last year, and will create over 360 more in the next three years. **Brilliant teams** is about investing in the capability of Zenith people; ensuring there are inspiring leaders who have a growth mindset and the learning agility to lead the future growth of the business and unlock the

potential of its people. Zenith is increasing investment in training per head by 45%, to ensure people can be the best version of themselves, and deliver the skills needed for the Zenith of tomorrow.

Thriving culture is about retaining the winning, caring and nurturing culture of Zenith, while evolving it to reflect the changing expectations of colleagues and customers. Both colleagues and wider society expect Zenith to represent the communities it serves, and ‘Inclusion everywhere’ is an ambitious initiative that is taking measurable steps to do just that. Having baselined colleague diversity in financial year 2021-22, Zenith will challenge itself with new targets in the coming year. This, coupled with proactive inclusion initiatives, will see Zenith make strong progress in a sector which has historically struggled. ‘Caring for each other’ recognises Zenith’s growing role in supporting the physical and mental health and wellbeing of its people.

Fair deal for all is about sharing success with colleagues. It will ensure a consistent, transparent and competitive pay and benefits offer which reflects the market.

The final focus area is **Exceptional colleague experience**. The aim is for colleagues to feel valued and centred in the same way that customers are. Zenith has invested in a new people system that will be implemented over the next two years, which will digitise and streamline every stage of the colleague journey from recruitment to retirement.

These policies both shape and reflect the evolving Zenith culture, with trust and humanity at its heart.



Our promise will power our people

Creating high performing divisions

Delivering a better way to do business

OUR PURPOSE

TO PROVIDE SUSTAINABLE, INNOVATIVE, VEHICLE MOBILITY SOLUTIONS

OUR MISSION

TO DECARBONISE THE UK VEHICLE PARC BY ELIMINATING TAILPIPE EMISSIONS

OUR HIGH-PERFORMING DIVISIONS

CORPORATE

COMMERCIAL

CONSUMER

ENABLING SERVICES

OUR PEOPLE PROMISE

DESIGNED FOR GROWTH

Ready to scale Roles with purpose

BRILLIANT TEAMS

Inspiring leaders Best version of you

THRIVING CULTURE

Inclusion everywhere Caring for each other

FAIR DEAL FOR ALL

EXCEPTIONAL COLLEAGUE EXPERIENCE

STRATEGY ENABLERS - POWERED BY PEOPLE CONTINUED

HOW OUR PEOPLE STRATEGY PILLARS HAVE BEEN IMPLEMENTED

DESIGNED FOR GROWTH

Progress FY22

- Launched business design framework
- Integrated the operational structures of Zenith and Cartwright
- Reorganised the leadership teams of our three operating divisions
- Created 165 new jobs.

Looking ahead to FY23

- Design review of operational and Group functions - set up to service diverse customer divisions and ready to scale with future growth.



BRILLIANT TEAMS

Progress FY22

- Appointed/enhanced strategic capabilities - consumer marketing, maintenance operations, contact centre operations, technology and digital
- Implemented Kickstart programme
- Launched our Online Academy - 416 solutions
- 75% of senior leadership appointments in the year were female
- 106 internal promotions to colleagues with 43% of those being women
- 20 Kickstart placements, 13 permanent conversions (65%). One percent of colleagues are Kickstarters
- Three percent of workforce on apprenticeship programmes.

Looking ahead to FY23

- New Zenith Group skills and behaviour framework - supporting development
- 30 apprentices (eight workshop colleagues - brand new scheme).
- 45% increase in investment in skills training
- Leadership programme for our senior leaders
- New performance and development approach.

THRIVING CULTURE

Progress FY22

- Post-pandemic agile ways of working implemented
- Launched diversity and inclusion (D&I) strategy - baselining data, six focus groups created, education programme trialled
- 2 star Best Company
- Employee turnover one percent down on pre-pandemic levels
- Two percent improvement in wellbeing engagement on 2020-21
- 65% of colleagues shared their diversity census data in the first two months of launch (against a target of 85%).

Looking ahead to FY23

- Rollout diversity and inclusion (D&I) education programme for over 200 leaders
- Publish our baseline census data and target improvements in diversity and pay gaps
- Embed focus groups and implement improvement activity identified
- Land D&I event - educate, inspire and raise awareness
- Update Company values and employee value proposition.

FAIR DEAL FOR ALL

Progress FY22

- Implemented market-leading pay award
- New pay framework and investment for workshop colleagues
- Implemented new Company bonus scheme for 68% of the Group*
- 94% of colleagues received a pay award above market rate
- Paying all colleagues the Real Living Wage from April 2022
- Two percent of base pay inflation support payment for every colleague
- 7.7% average pay award for hourly paid workshop colleagues representing investment in market realignment post acquisition.

Looking ahead to FY23

- Create pay and benefits framework based on market comparisons.

EXCEPTIONAL COLLEAGUE EXPERIENCE

Progress FY22

- Implemented a new people system
- Appointed the resources and capabilities for our digital transformation programme
- Integrated 311 Cartwright colleagues onto payroll/people systems/processes.

Looking ahead to FY23

- Implement manager and colleague self service capability
- Enhance joiners, movers and leavers process to improve controls
- Launch People KPIs, dashboards and performance visibility to leaders
- Implement new recruitment and onboarding system
- New internal communication platform.



* Remaining 32% of colleagues are within the acquired Cartwright business or on alternative arrangements such as the sales commission scheme.

IN THE NEXT THREE YEARS WE WILL...



Double our customer numbers



Create **360 new jobs** including **60 leadership roles (+30%)**



Increase training **£ per head by 45%** - investing in leadership and skills



Our colleague experience will be **digital** and as **exceptional as our customers**



Have **5% of our workforce** on an apprenticeship programme



Be a consistent **2 star Best Company to Work For**



Implement the Living Wage, pay all colleagues the market rate for their role



Be more representative of our customers and communities - with clear targets

GREEN BOND AND SECURITISATION



Martin Holland
Deputy Chief Financial Officer

GREEN BOND

In January 2022 Zenith raised its inaugural green senior secured fixed rate notes, due in 2027. In addition, the business entered into a new £65 million revolving credit facility (RCF) to replace its existing credit facility.

The senior secured notes (known as the green bond) are the UK vehicle leasing sector's largest ever green bond. This green bond carries a commitment to spend at least an equivalent amount to the bond's proceeds over a two-year period on eligible green projects or investments. This means that Zenith is committed to spending at least £475 million by January 2024 on BEVs or similar vehicles that have zero emissions at the tailpipe.

Sustainability is a key component of Zenith's strategy, and the business is always looking at how it can reduce its impact on the environment. The green bond enables Zenith to remain at the forefront of sourcing and financing electric vehicles to meet the record levels of demand from UK motorists for low emission transport.

The new financing arrangements, via the green bond and the new RCF, provide a range of benefits for Zenith and our vehicle funding partners:

- Credit rating of B+/B1 (stable) by S&P and Moody's respectively
- Term debt maturity extended to mid-2027 on attractive terms
- Fixed coupon: attractive in a rising interest rate environment
- Additional undrawn liquidity, via the undrawn £65 million RCF, and around £32 million cash on balance sheet from financing
- Security position: the new bond is structurally subordinate to any vehicle financing or other asset financing downstream in the Group; this clarifies an existing position, and makes creditor ranking/priority more transparent for all concerned
- Dozens of new funds and investors into Zenith; a strong signal of support for our business model, strategy, financial position and performance.

SECURITISATION

In August 2021, Zenith rearranged and significantly extended its securitisation facilities, which provide the bulk of the vehicle funding to customers in the Corporate and Consumer businesses. These new facilities enable Zenith to expand its fleet and to create attractive opportunities for future growth across all divisions. The new securitisation facilities are on commercially-attractive terms.

CREDIT RATINGS

B+/B1
(Stable)

NEW SECURITISATION FACILITIES TO SUPPORT THE FUNDED FLEET
£725m

COMMITMENT TO SPENDING ON BEVs
£475m +

SOURCES OF FUNDING



* Represents securitisation, RV and back-to-back and sundry facilities drawn

Our spend versus green bond commitments

Description	Units	Results
Total vehicles in eligible portfolio	Volume, #BEVs	1,595
Total spend on eligible portfolio	£ spend	£60.2m
Remaining balance of unallocated proceeds	£	£414.8m
Amount of percentage of financing versus refinancing	%/£	100% financing
Annual greenhouse gas emissions reduced/avoided (tCO₂e pa)	tCO ₂ e/year	2,717

Data based on spend from green bond completion date on 28 January 2022 to 31 March 2022.

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

APPROACH, MATERIALITY AND COMMITMENT

Zenith has conducted a materiality assessment to ensure ESG efforts are focused on the most important sustainability issues. The assessment is carried out using a double materiality approach. This means the impact on Zenith and importance to our stakeholders of each issue is considered.

The Zenith ESG committee completed their assessment using the following definitions:

Impact on Zenith:
How material is this topic to colleagues and senior management, and, in particular, to our short, medium and long-term sustainability strategy?

Importance to stakeholders:
How material is this topic to stakeholder* strategy, culture and values?

The following ESG topics are material to all Zenith stakeholder groups:

- **Climate change**
The role that the automotive industry has to play in the road to net zero and its impact upon the environment, is demonstrated by the recent UN IPCC report stating that the transport sector accounts for approximately 23% of total energy-related CO₂ emissions.¹ The reduction in emissions caused by the automotive industry is being supported by the UK ban on sales of new internal combustion engines (ICE) cars and vans from 2030, and a global ambition for new cars and vans to be zero emission by 2035 and 2040 respectively at the latest.² Zenith has a vital role to play in leading the way to net zero, and in supporting stakeholders on their own journeys. This aligns with the Zenith five point strategy.

* businesses, customers, communities, suppliers, regulators, investors.

- **Diversity and inclusion**
There is increasing awareness that diversity and inclusion are drivers of long-term organisational sustainability. Diversity and inclusion therefore play an important role in the Zenith people plan. The business has recently launched its inclusion strategy (see Strategy enablers - Powered by people on page 50 for further details), and seeks to set an example for all stakeholders.

- **Third-party management**
The ways in which any organisation assesses, manages and monitors third parties that it partners with can pose significant risks regarding: environmental impact through Scope 3 greenhouse gas (GHG), human rights, data protection, information security and reputational integrity. Effective, appropriate and proportionate third-party management procedures are therefore a material issue for Zenith's ESG strategy (for more detail see Governance for good on page 44).

The Zenith ESG committee is responsible for identifying and assessing climate-related risks and opportunities, with devolved powers from the leadership board. The committee's responsibilities include calculating and monitoring Zenith emissions, overseeing regulatory change related to ESG topics and updating the board on progress. Membership of the ESG committee includes senior stakeholders from across the Zenith Group, including the Chief People Officer, General Counsel, Operations Director, and Customer Relationship Director. The committee is chaired by the Compliance Manager.

The ESG committee has recently refreshed the sustainability key performance indicators (KPIs) used to track and measure performance across the Group. It used the World Economic Forum report, Measuring Stakeholder Capitalism, as a starting point, including those metrics relevant to Zenith and the wider industry. The committee will publish progress against these metrics in the next Annual Report.

Actions that the committee intends to take over the next 12 months are:

- Develop stakeholder research to support the materiality assessment

- Launch the sustainability strategy, detailing the ways in which the driving sustainability goals will be achieved
- Have our emissions reduction targets independently validated by the SBTi
- Progress the inclusion strategy
- Progress the supplier lifecycle and sustainable procurement strategy
- Continue charitable giving and supporting local communities
- Continue developing and maturing frameworks around governance priorities, including data protection, financial crime and vulnerable customers.

EMISSIONS TABLE

GHG emissions	Total (tCO ₂ e)
Scope 1	3,219.58
Scope 2	1,114.73
Scope 3*	341.37
Total emissions	4,675.68
SECR - Scope 1 and 2 GHG emissions	4,461.69
SECR - Scope 1 and 2 energy consumption and Scope 3 business car travel	8,481,793 kWh

WE ARE COMMITTED TO THE SBTI BUSINESS AMBITION TO REACH NET ZERO BY 2050

CERTIFIED CARBON NEUTRAL ORGANISATION

* Our Scope 3 emissions do not include total value chain emissions, such as those generated by the production of the vehicles we procure or from the mileage driven in these by our customers. We aim to include this in the 2023 Annual Report. Zenith has 112 contracted FTE home workers; this white paper, by Eco-Act, Natwest and LBG, has been used to calculate home workers' emissions: <https://info.eco-act.com/en/homeworking-emissions-whitepaper-2020>



MATERIALITY ASSESSMENT METHODOLOGY

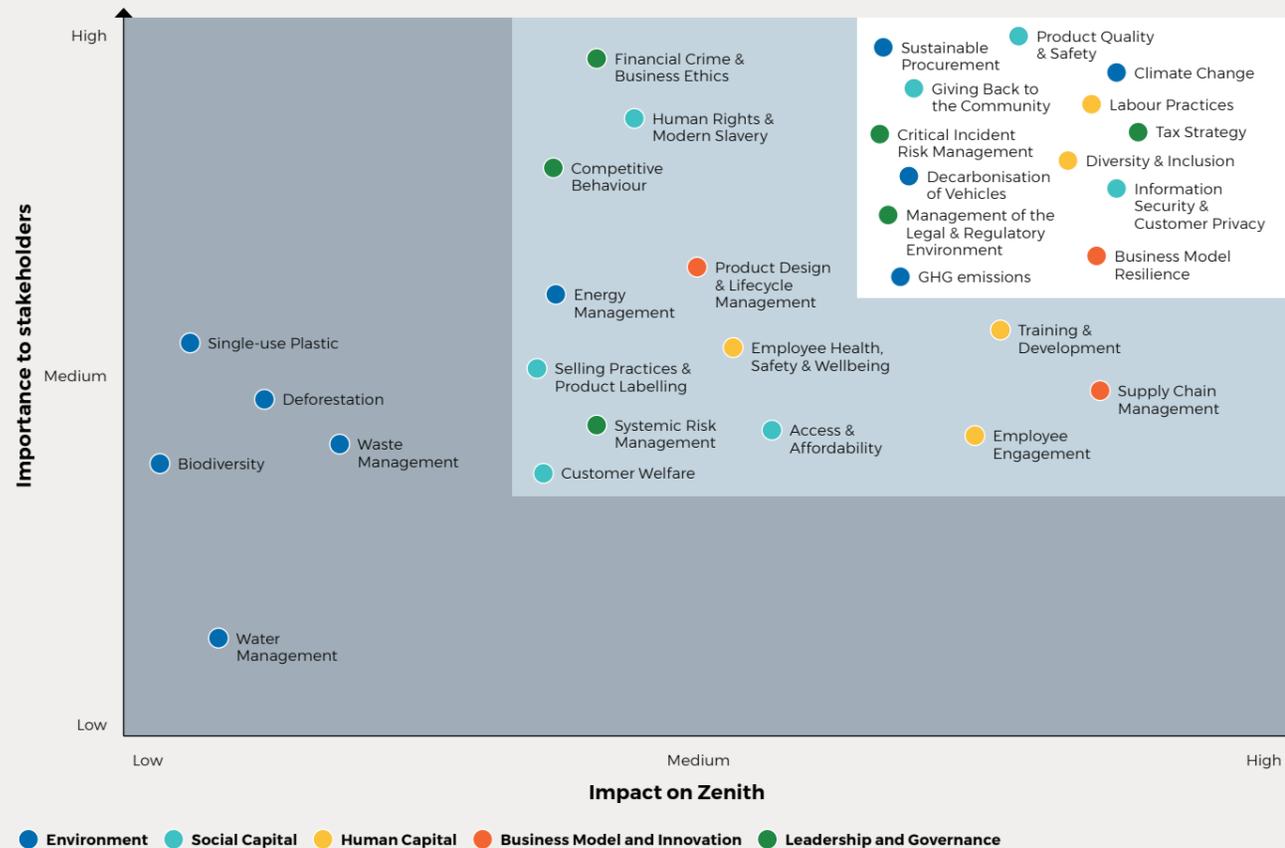


1. <https://www.just-auto.com/features/cop26-climate-change-and-the-automotive-sector-1/>
2. <https://www.gov.uk/government/publications/cop26-declaration-zero-emission-cars-and-vans/cop26-declaration-on-accelerating-the-transition-to-100-zero-emission-cars-and-vans>

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED

ZENITH MATERIALITY MATRIX



Environment	Topic	Description
	Climate Change	Ensuring that Zenith is resilient and prepared for the physical and transition risks and opportunities that will occur due to climate change.
	Greenhouse Gas Emissions	Calculating, monitoring and disclosing our Scope 1, Scope 2 and Scope 3 GHG emissions.
	Sustainable Procurement	Sustainable procurement is the integration of Corporate Social Responsibility (CSR) principles into our procurement processes and decisions.
	Decarbonisation of Vehicles	The transition of the UK and global vehicle industry to alternative-fuel vehicles (AFV), such as electric (EVs), from ICE vehicles such as petrol and diesel.
	Single-use Plastic	Single-use plastics, often also referred to as disposable plastics, are commonly used for plastic packaging and include items intended to be used only once before they are thrown away or recycled. These include, among other items, grocery bags, food packaging, bottles, straws, containers, cups and cutlery.
	Deforestation	The purposeful clearing of forested land.
	Energy Management	Ensuring we only use the amount of energy necessary to deliver our services, including identifying relevant savings wherever possible.
	Water Management	Management of the water resources and use within Zenith sites and by our partners.
	Biodiversity	The variety of plant and animal life in the world or in a particular habitat, a high level of which is usually considered to be important and desirable.
	Waste Management	(a) collection, transport, treatment and disposal of waste, (b) control, monitoring and regulation of the production, collection, transport, treatment and disposal of waste, and (c) prevention of waste production through in-process modifications, reuse and recycling.

Social Capital	Human Rights and Modern Slavery	Upholding and championing human rights within Zenith and with our partners including active steps to prevent forced or compulsory labour, child labour and human trafficking.
	Information Security and Customer Privacy	Protection of our system, networks and data, including effective privacy management framework to ensure that customer data is secure, processed appropriately and retained only for as long as necessary.
	Giving Back to the Community	Supporting the local community or society as a whole through volunteering opportunities, fundraising and charitable donations.
	Access and Affordability	Ensuring that our services are available, accessible and affordable to the widest range of customers, including ensuring that they do not suffer detriment or exclusion due to the individual characteristics.
	Product Quality and Safety	Leased vehicles meet our customers' expectations around health and safety, product liability and management of recalls.
Human Capital	Customer Welfare	Benefits to the customer derived from the use of our products and services, including the prevention of harm or detriment experienced by customers.
	Selling Practices and Product Labelling	Ensuring that we provide all customers with appropriate information regarding our products, including compliant and fair sales practices with no pressure or misleading information given.
	Labour Practices	Internal people practices and procedures relating to recruitment, promotion, remuneration, disciplinary, complaints, termination and our overall culture.
	Employee Health, Safety and Wellbeing	Ensuring that our colleagues are safe, healthy, satisfied and engaged.
	Training and Development	Providing personal and professional development to our colleagues to help them reach their potential.
Business Model and Innovation	Diversity and Inclusion	To value difference in all our colleagues and represent the customers and communities we serve.
	Employee Engagement	Employee engagement is the emotional commitment the employee has to the organisation and its goals.
	Business Model Resilience	Future planning to ensure that the business can adapt and thrive in different future frameworks.
Leadership and Governance	Product Design and Lifecycle Management	Incorporating ESG into the product and service lifecycle. A company's ability to address customers and societal demand for more sustainable products and services as well as to meet evolving environmental and social regulation. It does not address direct environmental and social impacts of our operations nor health and safety which are addressed in other areas.
	Supply Chain Management	End-to-end management of a supplier and oversight of individual suppliers to ensure that Zenith is receiving a fair deal, only partnering with businesses that have effective policies and procedures, including sharing our values.
Leadership and Governance	Competitive Behaviour	Steps taken to ensure that we have an advantage over our competitors whilst ensuring that our practices do not amount to anti-competitive behaviour such as cartels, collusion, predatory pricing and price fixing.
	Management of the Legal and Regulatory Environment	Ensuring that Zenith complies with all relevant legislation and regulation, including appropriate management of regulatory change and oversight of our arrangements.
	Financial Crime and Business Ethics	Financial crime is generally defined as any activity that involves fraudulent or dishonest behaviour for the purposes of personal financial gain, although it may also include the illegal conversion of property ownership. Financial crime may be committed by individuals or groups and involve the following activities: <ul style="list-style-type: none"> • Money laundering • Terrorism financing • Fraud • Tax evasion • Embezzlement • Forgery • Counterfeiting • Identity theft.
	Tax Strategy	Ensuring that we pay our tax liabilities when they are due and in full.
	Critical Incident Risk Management	Policies and procedures to minimise the human, operational, financial, legal, regulatory, reputational and other material consequences following an incident.
	Systemic Risk Management	The risk of a breakdown of an entire financial system or entire market.

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED

ENVIRONMENT – A SUSTAINABLE FUTURE

DRIVING SUSTAINABILITY

There are four pillars supporting the Zenith drive to sustainability, both internally and with stakeholders:

- Calculation of emissions and reduction targets, covering Scope 1, Scope 2 and Scope 3 through SBTi validation
- Reduction of direct impact at our offices and sites, and transitioning the Zenith company car fleet to zero emission vehicles through the EV100 commitment
- Supporting customers to transition their own fleets to zero emission vehicles, supported by the EV100 commitment and green bond
- Leading suppliers on their own journeys, led by emissions reductions targets in line with the latest climate science and validated by the SBTi.

The nature of the business is such that the main source of Zenith's emissions, and therefore our impact on the environment, is the downstream use of vehicles by customers.

Because of this, the role Zenith has in supporting customers to transition their fleets to zero emission vehicles at the tailpipe is vitally important for ensuring that the business is net zero emissions by 2050 at the latest.

Zenith is leading the way in decarbonising the UK vehicle parc by supporting customers and ensuring the transition of vehicles from ICE to battery electric vehicle (BEV). We are also setting an example for everyone within the automotive industry to follow, through our EV100 commitment, targets and progress.

SUPPORTING CUSTOMERS

Zenith provides expert environmental fleet advice to customers, enabling them to transition to zero emission vehicles at the tailpipe through dedicated account management, customer relationships, fleet consultancy and new business teams.

We lead customers through the transition to EVs by:

- Hosting webinars for customer employees aimed at increasing their knowledge of EVs
- Hosting webinars on sustainability and EVs for existing and potential customers
- Whole-life cost modelling showing the benefits of BEV, supporting the acceleration of the transition

- The use of a carbon footprint calculation tool, developed in-house and available for all customers to use
- Trained BEV Gurus in the customer relationship team.

Further information on specific actions Zenith has taken to support our customers over the past 12 months can be found in the final table relating to section 172 compliance, later in this report.

Case studies showing how Zenith has supported customers (including Royal Mail Group, Asda and OVO) in their own decarbonisation journeys can be seen in the Strategic report, case studies - customer impact section.

BEV FLEET SIZE

10,011

FY22	10,011
FY21	4,749
FY20	1,287



The number of BEV vehicles in our fleet as a proportion of the total has increased month-on-month for the past two years.

BEV orders overtook ICE vehicle orders for the first time ever in May 2021 (see below). This trend continues, leading to BEVs forming an ever-growing proportion of the total fleet.

EV100 COMMITMENT

The EV100 commitment sets a target for the Zenith employee company car scheme to be BEV-only by 2025. This target sets the aspiration for our customers, proving that Zenith is passionate about leading the way in its commitment to decarbonising the UK vehicle parc.

The available vehicle options for Zenith's own employees company car scheme were updated to BEV-only in January 2022, accelerating progress towards the EV100 target.

FUNDED FLEET (CORPORATE) BEV AND ICE

Year as at	BEV	ICE
March 2019	0%	100%
March 2020	2%	98%
March 2021	9%	91%
March 2022	19%	81%

WE DEVELOPED AN IN-HOUSE CARBON FOOTPRINT CALCULATION TOOL FOR OUR CUSTOMERS TO USE

SUSTAINABILITY AND EV WEBINARS DELIVERED TO CUSTOMERS

10

DEDICATED BEV GURUS SUPPORTING CUSTOMER JOURNEYS

26



ORDERS (CARS AND VANS) CORPORATE DIVISION

Indexed to 100



SEVENFOLD INCREASE IN BEV ORDERS IN THE LAST TWO YEARS

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED
SOCIAL

SOCIAL – PEOPLE

Zenith has always been a great place to work – but the pandemic changed the expectation of colleagues and the public, particularly in the areas of wellbeing, flexible working, diversity and inclusion, and therefore overall engagement. Zenith responded quickly, securing our talent with a renewed proposition in these areas.

2 star
BEST COMPANY
TO WORK FOR

Top 15
IN BUSINESS SERVICES

12%
IMPROVEMENT IN
ACQUIRED CARTWRIGHT
BUSINESS IN FIRST YEAR

COLLEAGUE ENGAGEMENT

In recognition of the hard work that went into ensuring colleagues felt connected and supported during the pandemic, Zenith maintained its 2 star position with Best Companies, awarded to companies with outstanding levels of engagement. We were proud to place 48th in the Yorkshire and Humber region and 11th in the business services category.



Acquisition of Cartwright

Following the acquisition of Cartwright in September 2020, Zenith surveyed new colleagues to baseline their levels of engagement. Since the acquisition, we have enhanced communication, supported leadership capability, invested in pay and benefits, and provided access to new health and wellbeing services.

This has resulted in a 12% improvement in engagement between our surveys in March 2021 and October 2021, moving the previous Cartwright business from 'one to watch' to a 1* company. These teams will integrate into the wider Group reporting from October 2022.



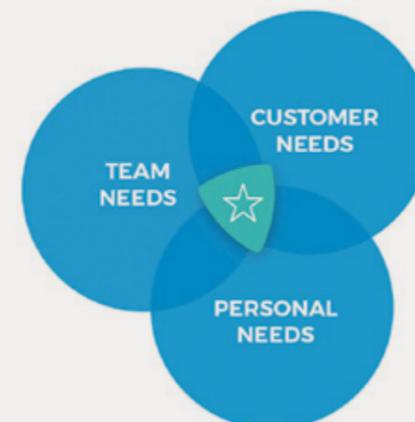
AGILE WORKING

During the pandemic, the safety of colleagues was paramount. This resulted in home working for many. When asked subsequently, 84% of people said they would like to retain some of the flexibility that home working provided.

A programme to redesign our approach to flexible working resulted in the introduction of Agile. Colleagues are now able to work where, when and how they want, as long as the needs of teams and customers are met. This model is hybrid, rather than purely remote, because a vibrant office culture still plays a vital role in collaboration, innovation, and growing talent, particularly for younger colleagues. It has trust at its core, and makes Zenith both more inclusive and accessible to a wider talent pool.

Following implementation of Agile, Zenith colleague turnover has remained flat compared to pre-pandemic levels, despite a surge in the employment market. Evidence that listening and responding to people's needs pays dividends.

AGILE – BALANCING OUR STAKEHOLDER NEEDS



INVESTMENT IN IT EQUIPMENT AND MEETING ROOM UPGRADES
£250,000

PERCENTAGE OF LEADERS TRAINED IN LEADING AGILE TEAMS
90%



COLLEAGUE TURNOVER 1% LOWER THAN PRE-PANDEMIC LEVELS

ONE OF THE FIRST ORGANISATIONS TO PUBLICLY ANNOUNCE POST COVID-19 WAYS OF WORKING



STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED
SOCIAL CONTINUEDPEOPLE AT ZENITH
INCLUSION

To value difference in all our colleagues and represent the customers and communities we serve.

INCLUSION EVERYWHERE

A diverse and inclusive workplace leads to a stronger culture and better business outcomes. October 2021 saw the Zenith CEO, supported by the leadership board, launch an ambitious five-year diversity and inclusion plan.

The purpose of the first year has been to lay the foundations, start the conversation and raise awareness.

Activities included:

- Zenith census, to capture colleague diversity information; the target is to reach 85%, with 60% completion achieved in the first few months – this information will shape the targets set in financial year 2022-23
- Inclusion focus groups (gender, age, LGBTQ+, ethnicity and religion, disability and neurodivergence) created to raise awareness, understanding and improve representation

- Education programme, designed and trialled with our leadership board and focus group chairs in financial year 2021-22, to be launched across the Group in financial year 2022-23.

Focus groups are chaired by volunteers, each with leadership board sponsorship and people team support, representing colleagues from across the Group. There are 67 ambassadors now driving the agenda, and all chairs attended training to equip them with the skills to be successful.

The education programme takes the form of an immersive workshop and is designed to encourage constructive challenge, and to drive a culture of conscious inclusion. The programme has been designed in conjunction with a diversity and inclusion consultant, to ensure that all activity is based on best practice and will drive a measurable difference.

FOCUS GROUP CHAIRS

Top Left to Right – Charne Bruford-Row (Age), Callum Horn (LGBTQ+), Bryony Seth (Neurodivergence).
Bottom Left to Right – Olivia Mills (Gender), Vicky Clarke (Race and Religion), Helen Naylor (Disability).

67**AMBASSADORS DRIVING THE INCLUSION AGENDA****6****INCLUSION FOCUS GROUPS CREATED****75%****OF SENIOR LEADERSHIP APPOINTMENTS WERE FEMALE****CARING FOR EACH OTHER**

Colleague wellness is of paramount importance. Zenith's mental health first aiders saw the need for increased visibility in the post COVID-19 world, and have worked hard to raise awareness of the assistance they offer. As part of this, they have created a calendar of events for the year, which includes Blue Monday support.

Having engaged an independent expert to carry out wellbeing calls with colleagues during lockdown, the business gained insight into how colleagues were feeling, and has developed understanding of their support needs. Over 80% of our people were personally contacted outside of their manager relationship, with the aim of checking in on their personal wellbeing and directing them to our array of wellbeing support services.

The team then worked with our private company GP to help colleagues adjust to post-lockdown life by sharing information, signposting support avenues, and by upskilling our 30-plus mental health first aiders to have conversations and support people as needed.

Leaders across the Group were encouraged to speak with their teams, and to explore what post-lockdown working might look like. This contributed to an increase of two percent in the colleague survey wellbeing score, with 82% of people saying that they felt supported through COVID-19.

FAIR DEAL FOR ALL

After another successful year, Zenith felt that the right thing to do was to pay back the furlough support payments received from the government during the pandemic. The business was grateful for that support during what was a very uncertain time. It ensured that no pandemic-related redundancies had to be made, and safeguarded the roles of all colleagues as we emerged from lockdown.

The pay review at the end of financial year 2021-22 resulted in an award to all colleagues, with 94% receiving an award in line with, or ahead of, the UK average. As part of this pay award Zenith increased all salaries up to or beyond the Real Living Wage. Also, we have further invested in our apprentice pay, and now pay some of the highest rates in the industry.

Further to the pay award, it became apparent that inflation would negatively affect vulnerable colleagues. Thanks to the success of the financial year 2021-22 results, every colleague will receive an extra inflation support payment equivalent to two percent of salary, which will be paid in financial year 2022-23.

94%**RECEIVED PAY AWARD IN LINE WITH OR ABOVE UK AVERAGE****2%****OF SALARY, INFLATION SUPPORT PAYMENT TO BE PAID IN FINANCIAL YEAR 2022-23 TO ALL COLLEAGUES****BRILLIANT TEAMS**

In readiness for our post COVID-19 Agile working policy, we recognised that this change needed our leaders to be 100% behind the developments we wanted to see, and knew that an understanding of people, how they react and how biases can differ, would maximise the success of the project.

The leadership excellence modules deployed as a result were collaborative, and

used an applied neuroscience lens to help people across the business understand how to perform at their best. This process was coupled with real life examples and tools that could be applied to all teams. It was found that leaders started to connect more with each other, and their teams, as they lead the organisation through the cultural change needed.

In addition, we supported new managers (leaders who are either new to Zenith, or new to leading a team) with our world-class manager programme, developing this group together as one cohort, and taking learning from the Online Academy (see below) and 90-minute interactive experiential workshops. This programme will continue throughout financial year 2022-23 with an additional 32 leaders from the Commercial division commencing the course in May.

A proportion of the increased training budget has been ringfenced to support leadership development and grow our own talent. This will also support the inclusion agenda as we develop the diverse Zenith colleague base into more senior roles where representation still has scope to progress.

ONLINE ACADEMY

In financial year 2021-22, Zenith launched its Online Academy learning management system, supporting colleagues to learn anytime, anywhere. It launched with 285 courses, a number which rose to 416 by April 2022. Listening to colleagues and understanding how the remote nature of COVID-19 working has impacted their learning ability, the need to offer both virtual and face-to-face solutions became evident. The Online Academy enables colleagues to choose their preferred style of learning and book their chosen topics.

The Online Academy is a powerful demonstration of the learning that takes place at Zenith. It provides a place for colleagues to find courses that support their current or future roles, and from financial year 2022-23, we will be able to track off-the-job learning hours completed and report on training investments in a measurable way.

416**ONLINE COURSES AVAILABLE****APPRENTICESHIPS AND KICKSTART**

Early careers programmes are hugely important, and the growth ambitions of the business mean that it is important to develop in-house the technical experts and leaders who will go on to play valuable roles in the future. At the end of financial year 2021-22, there were 26 colleagues on the apprenticeship programme – a split of 47% new apprentices and 53% existing colleagues upskilling. The recruitment of new apprentices was paused during COVID-19 while Zenith supported the government sponsored Kickstart scheme.

As featured in the case study on page 42, we offered 20 Kickstart placements, with 13 individuals subsequently being offered permanent or apprentice roles. This represents a 65% conversion rate, resulting in one percent of our total colleague base being a former Kickstarter.

Following the acquisition of Cartwright in 2020, Zenith expanded its apprentice programme, appointing three new providers to support workshop and mobile technician apprentices. In financial year 2022-23, the target is to onboard 30 new apprentices – six of whom will be in workshops. The medium-term aspiration is to increase the number of colleagues working towards an apprenticeship from three percent today to five percent in the next three years.

26**COLLEAGUES ON AN APPRENTICESHIP PROGRAMME****2%****IMPROVEMENT IN WELLBEING ENGAGEMENT SCORE ON 2020-21****415****APPOINTMENTS ATTENDED WITH IN-HOUSE GP**

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED
SOCIAL CONTINUED

SOCIAL – SUPPLIERS

GREENING THE SUPPLY CHAIN

Zenith recognises that effective management of the supply chain is crucial for success. A significant proportion of the overall service delivery of the business is reliant on the networks of suppliers that customers need to stay safe and mobile. Zenith’s sourcing philosophy is to work with the very best suppliers and to be their best customer.

Essential suppliers include those supplying new vehicles, repairing vehicles, fitting tyres or glass, the networks of breakdown providers, and other vehicle-related categories. Zenith has UK-wide coverage for these requirements with a network of over 100 body repairers and more than 4,000 mechanical repair sites (both vehicle manufacturer franchise sites and independent businesses). The networks support traditional (ICE) vehicles as well as alternatively-fuelled vehicles such as BEVs.

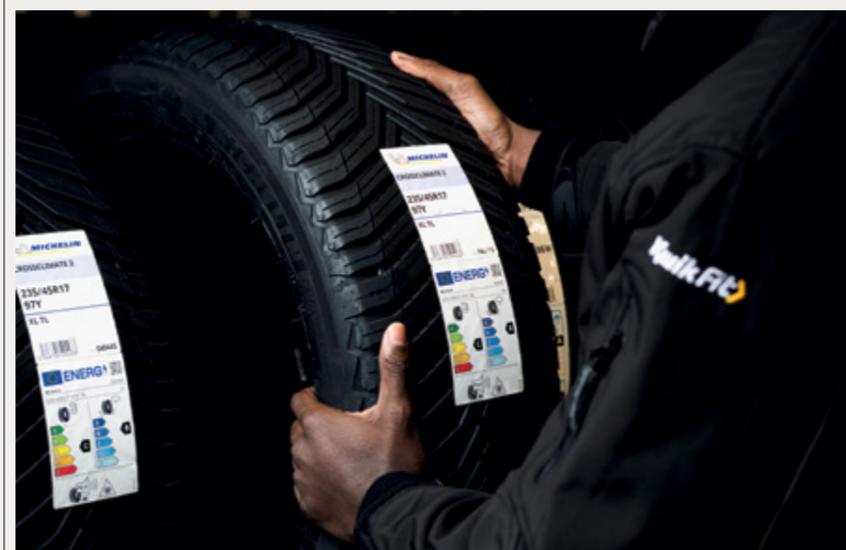
In addition to our external supplier networks, Zenith owns four in-house commercial repair and parts sites capable of maintenance and trailer repair and refurbishment. Our fixed sites are further supplemented by a fleet of over 80 mobile workshop technicians, together supporting our Commercial vehicle fleets across the UK.

Senior managers take an active part in the supplier lifecycle, and Zenith directors meet their counterparts regularly. Strategic meetings with vehicle manufacturers, rental and tyre companies help to develop engagement, which is driven at all levels of the relationship and is crucial to supporting the flow of innovation and commitment.

This engagement supports well-established and beneficial relationships, a prime example being the relationship with primary tyre fitment supplier Kwik Fit,

with whom we have collaborated for over 25 years. Meeting regularly at senior level and operationally on a monthly basis, the businesses share ESG insights across the board, from things like training and apprenticeships, to environmental objectives.

Kwik Fit supplies over 75% of the car tyres used by the business, and Zenith extended the relationship in April 2021. A significant factor in that decision was Kwik Fit’s clear dedication to developing and deploying measures to mitigate the environmental impact of tyre manufacture and disposal. For some time, Kwik Fit has recycled the tyres removed from our vehicles and converted them into a number of innovative products, including playground safety floors and football pitches. They also recycle some other materials, including carbon black and steel, which are then used in the production of more tyres.



In announcing Project TREE, Kwik Fit has now taken things a step further. Using blockchain data technology, the company is now able to track ethically sourced rubber through the supply chain. In future this will be extended to the new tyres Zenith fits to vehicles.

www.project-tree-natural-rubber.com



TYRES REMOVED FROM VEHICLES ARE RECYCLED INTO PLAYGROUND FLOORS AND FOOTBALL PITCHES

GREEN PARTS INITIATIVE

To help reduce the amount of energy and materials consumed by the fitment of vehicle parts, Zenith has successfully launched its Green Parts initiative.

The technical services team are responsible for in-life servicing and repairs of the vehicles leased to customers. Whenever a significant repair is required, such as a new engine, gearbox or other large components, the team will first aim to source a recycled part that has been thoroughly refurbished and checked, rather than purchasing a new item. During 2021, the team re-lifed over £80,000 in parts.

Building on this success with mechanical parts, Zenith is now planning to roll out a new purchasing strategy for accident repairs. The team will aim to source non-safety related items, including headlights and body panels from vehicles that have been classed as a total loss by an insurer (including vehicles previously owned by Zenith). An estimated £1 million in parts is expected to be reused in 2023, simultaneously saving a significant amount of raw materials and energy.

Zenith is committed to further developing our supplier ESG programme and an important component of this is the supplier lifecycle management system, which has been specified and is due for implementation this year. The system will enable Zenith to communicate with suppliers more effectively, to discuss and record key areas of compliance, action plans and development areas.

Overall supplier performance and details of shared commitments made will also be recorded on the system. This will ensure that Zenith values and those of the supply chain are in close alignment, and that diversity and inclusion within the supply chain can be recorded and promoted. Zenith also plans to use the supplier lifecycle system to help record sustainability, and to accurately measure environmental commitments.

VALUE OF PARTS EXPECTED TO BE REUSED IN 2023

£1m

NETWORK OF MECHANICAL REPAIR SITES

4,000



STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED
SOCIAL CONTINUED

SOCIAL – COMMUNITY

Zenith continues to support the communities local to their UK-wide locations, through charity days, school partnerships and an ethical approach to Christmas.



TOTAL AMOUNT RAISED FOR CHARITABLE CAUSES DESPITE THE IMPACT OF MULTIPLE LOCKDOWNS DURING THE YEAR
+£40,000

CHRISTMAS FUNDRAISING

Giving something back is at the heart of the Zenith philosophy, and Christmas 2021 was no different. Using a reverse advent calendar approach, teams brought in items for food banks, with each team member opting to bring something on a specific day, leading up to 24 December. The resulting boxes were then taken to local food banks across the country, including Altrincham, Glasgow, Leeds and Bradford.

The Zenith community also took part in Christmas jumper day, an annual event held in support of Save the Children, by donning festive jumpers and donating to the charity.

There was unplanned activity too. Due to the rise in COVID-19 cases, it was decided, in consultation with the colleague forum, to cancel the Christmas party. Doing this enabled Zenith to convert as much of the party budget as possible to charitable donations, auctioning the non-refundable hotel rooms raised £525; the wine that had been ordered for the party was raffled, raising £2,400; and the food already at the venue was taken to a local food bank, eradicating any waste. Colleagues rallied around to ensure that the best was made of the situation.

Another heartwarming episode was the £1,600 donated to Zenith's charity of the year, Mind. This came about thanks to colleagues choosing to donate their refunded sports-and-social subs, accumulated during the pandemic, to the charity. Christmas 2021 was truly a special one at Zenith.

SCHOOL PARTNERSHIPS

Like many organisations across the country, Zenith recognised the challenges faced by schools during the pandemic. The business values its links with the schools in its communities and kept in touch with them during the difficult period, letting partners know that we were ready to restart activity when the time was right. In 2021, Zenith continued its support in a virtual manner, for example, taking part in interview practice with Year 10 students at Ilkley Grammar School, enabling them to practice and gather feedback. Nine leaders supported this programme, which received positive feedback from partner schools, and requests to do more.

When the school doors reopened, the team attended careers fairs at two schools in Leeds – Mount St Mary's and Abbey Grange – to inspire students to join our apprenticeship programme,

support them with valuable advice about their career choices. This gave youngsters the opportunity to ask questions about jobs they may never have heard of. For these sessions, we also invited past and current apprentices to join in, and to share their stories of working and learning at Zenith. The business is looking forward to receiving applications from this group for our apprenticeship programme at the end of their academic year.

Sport is another great way of teaching young people teamwork and values. In line with Zenith's diversity and inclusion focus, the business sponsored local sports teams in financial year 2021-22 in the following categories:

- Leeds Rhinos (player and employee)
- Girls football (Horsforth St Margaret's)
- Boys football (Cadishead U-9s).



IN EARLY 2022, FOLLOWING THE CONFLICT IN UKRAINE, THE ZENITH TEAM SET UP A JUSTGIVING PAGE, WHERE COLLEAGUES COULD SUPPORT THE BRITISH RED CROSS IN THEIR EFFORTS IN THE REGION. THIS HAS RAISED A FURTHER
£2,840



Zenith are proud to have been able to provide four HGVs, with support from our partners, to Yorkshire Aid Convoy. Organised by Nixon Hire the convoy left on 18 March to take food and medical supplies to help those in desperate need in Ukraine.



MORE CHARITABLE ACTIVITIES

Throughout 2021, the Zenith team continued its efforts to support charities through fundraising activities. The charity of the year, voted for by colleagues, was Mind. Fundraising activities included:

- Zenith Olympics
- Macmillan coffee morning
- Abbey dash 10k run
- Sponsoring a table at Maggie's charity event
- Sponsoring the Leeds Piano Festival
- Donations from Best Companies survey completion (£1 per completed survey)
- Children in Need
- Comic Relief
- Crisis in Ukraine.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In October 2021, legislation came into force which made it mandatory for large UK businesses to disclose their climate-related risks and opportunities, in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

This legislation is part of the UK net zero strategy, and also forms part of the UK Government's commitment to making the UK financial system the greenest in the world. The TCFD provides a framework for organisations to report on their environmental governance, climate change risks and opportunities including materiality, and targets relating to these risks and opportunities.

Zenith is not mandated to make any climate-related financial disclosure aligned to TCFD recommendations until the 2024 annual report. However, the business has chosen to disclose this year, two years ahead of schedule, as we believe that the framework supports effective climate change governance and risk management. This will help to drive performance, create a sustainable future for Zenith and our stakeholders, and deliver on our five point strategy.

In January 2022, Zenith initiated a project in collaboration with a respected external professional consultancy, to mature and develop our climate change risk management framework. The business strives to achieve best practice in these areas, and to align action with strategy and vision. The tables on the right show Zenith's current position, and future actions across the four core TCFD pillars.

WE ARE MAKING A CLIMATE-RELATED FINANCIAL DISCLOSURE ALIGNED TO TCFD RECOMMENDATIONS TWO YEARS EARLY

	WHAT WE HAVE IN PLACE	ACTION MOVING FORWARDS
GOVERNANCE	<ul style="list-style-type: none"> ESG committee responsible for climate change and the environment Executive level responsibility assigned for climate change Defined and documented organisational structure with clear roles and responsibilities across our boards and committees Regular climate change updates to the board TCFD recommendations have been discussed and the future plan agreed at board level. 	<ul style="list-style-type: none"> Baseline our Scope 3 emissions Climate change training delivered to the board Ensuring that climate change is included in the board agenda at regular intervals throughout the financial year.
STRATEGY	<ul style="list-style-type: none"> Materiality matrix has been completed outlining key sustainability issues for Zenith and stakeholders Existing risk management framework in place. 	<ul style="list-style-type: none"> Risk workshops will be held with key stakeholders to identify and assess material climate change risks and opportunities Scenario analysis to be completed regarding the two-to-three most material risks and opportunities.
RISK MANAGEMENT	<ul style="list-style-type: none"> Enterprise risk management process with quarterly reporting to the board Defined key stakeholders for the business regarding engagement Climate change defined as a key trend for the Group Existing consultancy services supporting corporate customers to reduce their fleet emissions. 	<ul style="list-style-type: none"> Embedding climate change into our enterprise risk management process Identify and engage with external and internal stakeholders regarding material climate change risks and opportunities, including customers, suppliers and colleagues.
METRICS AND TARGETS	<ul style="list-style-type: none"> Science Based Targets initiative (SBTi) commitment in October 2021 Green bond KPIs. 	<ul style="list-style-type: none"> Science-based targets validated and publicly disclosed Public disclosure of our progress against green bond KPIs Set and agree specific targets regarding climate change risks and opportunities.

TIMELINE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES:

Premium-listed companies, banks, building societies and occupational pension schemes with assets under management of **£5bn+**

2021

Mandatory for UK registered companies with 500 employees and £500m turnover to report for the first reporting period starting on or after 6 April 2022

2022

We are making a climate-related financial disclosure aligned to TCFD recommendations - two years early



Zenith's first mandatory reporting year starts 1 April 2023



2023

Zenith required to publish climate-related financial disclosures in line with TCFD for the first time in 2024



2024

Mandatory for all UK businesses

2025

STRATEGIC REPORT

TCFD CONTINUED

GOVERNANCE

The board has a dual approach for governing climate-related risks and opportunities: The ESG committee, which has devolved responsibility around climate change, and our existing enterprise risk management framework. This organisational structure has helped to ensure that the board has oversight of this area and is aware of relevant projects, initiatives and regulatory changes that relate to the Zenith vision and strategy.

During financial year 2021-22, two formal presentations were made to the board by the Zenith compliance manager (also the chair of the ESG committee) regarding environmental sustainability. One covered the decision to become a certified carbon neutral organisation by offsetting direct Scope 1, Scope 2 and operational Scope 3 emissions, and to commit to the SBTi Business Ambition for 1.5°C. The other included an overview of climate-related financial disclosures and the TCFD framework. Additionally, the board received regular updates from the CPO, who sponsors the ESG committee.

Moving forward

The board and Zenith will take steps this year to underline the criticality of climate change, including the management of risks and opportunities for the long-term success of the Group. This will include baselining Scope 3 emissions to support the setting of reduction targets to be validated by SBTi.

The board will also receive further climate change training over the next 12 months. This will be led by the Zenith compliance manager, who is currently completing the Oxford Leading Sustainable Corporations Programme. Regular updates will continue to be given to the board on progress against sustainability metrics, and this will be formalised by adding climate change to the board agenda at set intervals throughout the year.

STRATEGY

Climate change considerations are increasingly integrated into day-to-day business activities, both of Zenith and our stakeholders. The importance placed on climate change issues is demonstrated by the materiality matrix in this report's ESG materiality section.

The board are conscious of relevant climate-related risks and opportunities. This is evidenced through the issuing of our green bond, which was made possible by the awareness of the global transition to electric vehicles. Zenith is also aware of the risk that greenhouse gas emissions pose for the environment, as well as society and the economy, which has led to the public commitment to the SBTi Business Ambition for 1.5°C.

The existing risk framework will help to support the assessment of climate-related risks and opportunities, as defined in the next section.

Moving forward

Zenith will be completing climate change risk workshops over the next 12 months, involving key stakeholders across the Group. These workshops will identify and assess the physical and transition risks and opportunities relevant to Zenith in the short, medium and long-term. Following identification of our risks and opportunities, a scenario analysis of those most material to Zenith will be completed (up to five in number). Scenario analyses will be based upon a 2°C (or less) scenario, and a 4°C scenario.

CLIMATE CHANGE IDENTIFIED AS A KEY DRIVER FOR CHANGE**RISK MANAGEMENT**

Zenith has an established enterprise risk management framework, with a risk committee and a dedicated risk manager. The outputs of this committee and framework are presented to the board quarterly. Key stakeholders have already been identified for the business, which will support engagement methods following the assessment of our climate change risks and opportunities. In addition, climate change has been defined as a key trend impacting society, both by Zenith and stakeholders, which has helped us to define our vision and strategy with a clearer focus upon sustainability.

Moving forward

Following completion of climate change risk workshops and subsequent scenario analysis, outputs will be integrated into the enterprise risk framework. This will ensure that climate change is discussed at each risk committee. Zenith will then engage key stakeholders relevant to the material risks and opportunities, and this will support the management, mitigation and treatment required for any of these risks.

OUR ESG COMMITTEE ARE RESPONSIBLE FOR IDENTIFYING AND RESPONDING TO CLIMATE RISKS AND OPPORTUNITIES**METRICS AND TARGETS**

Zenith has existing targets related to climate change; the business calculates and discloses its Scope 1, Scope 2 and operational Scope 3 emissions, and has committed to the SBTi Business Ambition for 1.5°C, which will ensure delivery of net zero emissions by 2050 at the latest.

Moving forward

Once the metrics used to support the climate scenario analysis under the strategy pillar of TCFD are established and defined, Zenith will define relevant targets regarding any specific climate change risks or opportunities that are deemed necessary to monitor.

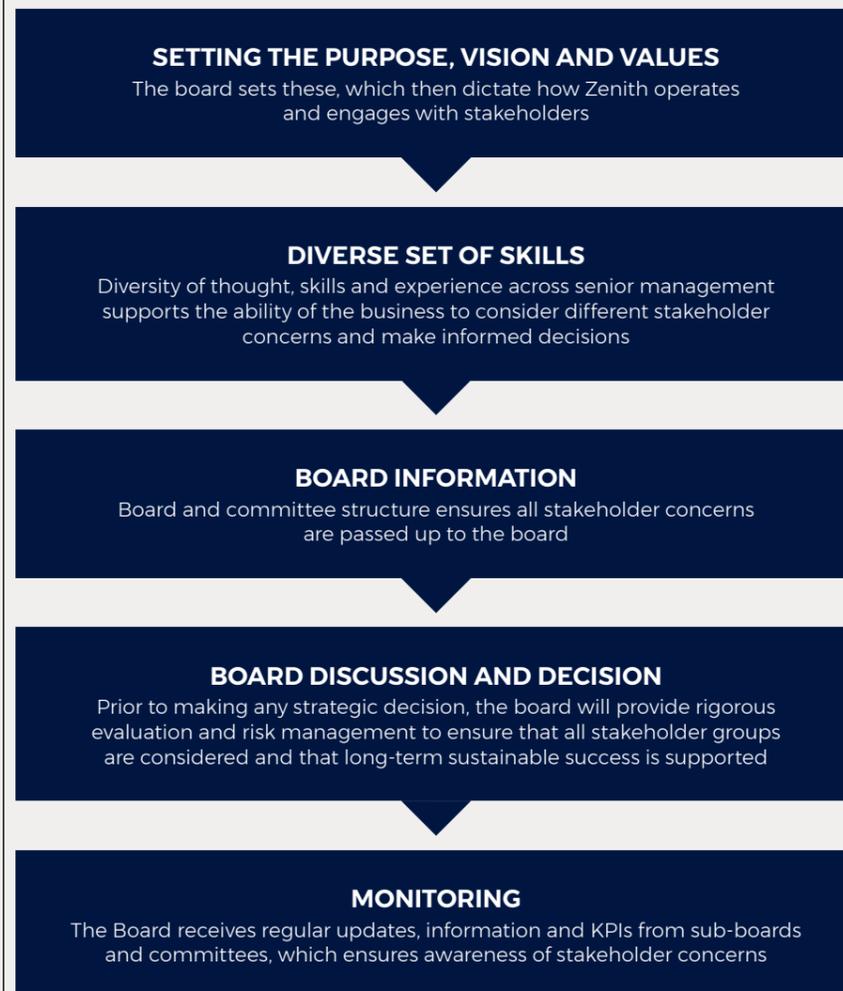
Furthermore, the business will baseline Scope 3 emissions to support the setting of carbon emission reduction targets to align with the SBTi commitment. Progress regarding green bond targets will be disclosed annually as defined under the green finance framework.

ENGAGING WITH OUR STAKEHOLDERS

The Zenith board of directors confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, while having due regard to the matters set out in section 172(1)(a) and (f) of the Companies Act 2006.

The directors of the business are aware that in order to progress its strategy and deliver on its vision, all of the stakeholders relevant to any decision must be considered.

The following model captures the processes by which the board fulfils its duties under section 172.



Our values are central to maintaining long-term partnerships with our stakeholders. Zenith has a long history of engaging constructively with stakeholders, and this in turn aligns with the strategy of creating stakeholder value.

Case studies demonstrating how Zenith has considered the material issues for each stakeholder and created value for them are included and signposted.

BUSINESSES

- Large blue-chip companies.

Page 32

Case studies – Customer impact; Strong performance in corporate and commercial divisions

CONSUMERS

- Retail consumers.

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Case studies – Transforming consumer leasing; ZenAuto driving growth in the digital consumer division

PEOPLE

- Zenith colleagues.

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Strategy enablers – Powered by people

COMMUNITIES

- Local schools
- Areas surrounding our offices and sites
- Local charities.

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ESG – Social – Community

SUPPLIERS

- Garages
- Vehicle bodyshops
- Vehicle manufacturers.

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ESG – Social – Suppliers

REGULATORS

- Financial Conduct Authority (FCA)
- Information Commissioner's Office
- Traffic Commissioners
- Health and Safety Executive.

Page 44

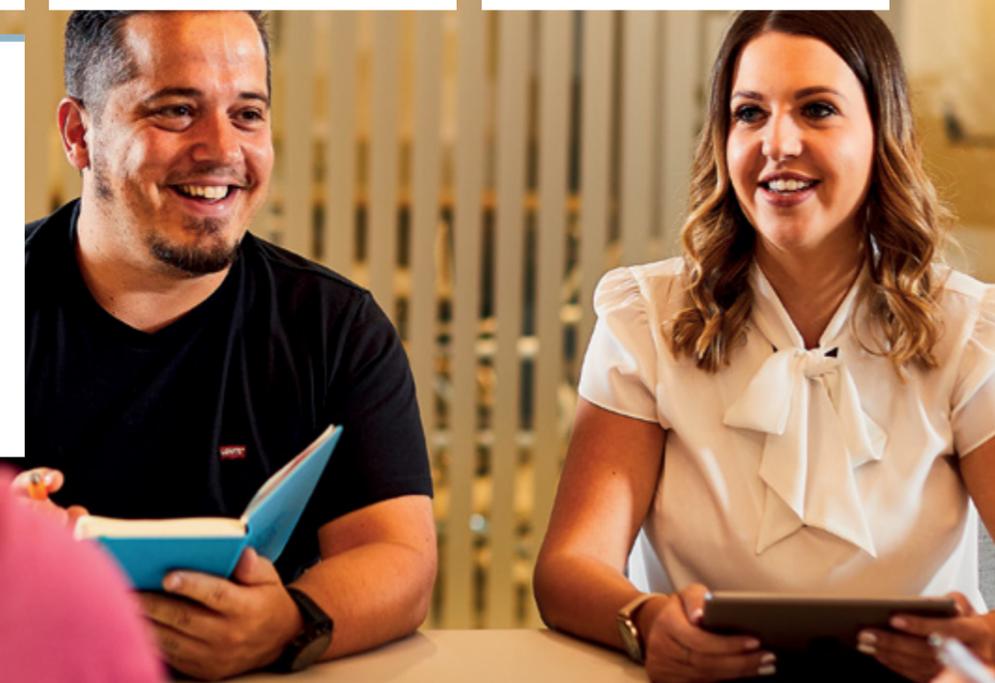
Case studies – Procurement impact; Governance for good

INVESTORS

- Bridgepoint, 73% shareholder (institutional investor)
- Employee shareholders, 27%
- Bondholders
- Fleet funders.

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Strategy enablers – Sustainable financing; Green Bond and securitisation



STRATEGIC REPORT

SECTION 172 CONTINUED

STAKEHOLDER ENGAGEMENT, ACTIONS AND OUTCOMES

Stakeholder	Material issues for stakeholder	How we engage	Actions and outcomes	Priorities for next 12 months	KPI/evidence of creating value
BUSINESSES 	<ul style="list-style-type: none"> Decarbonisation of vehicles Information security and data privacy Selling practices and product labelling Business model resilience. 	<p>Weekly, monthly or quarterly progress meetings with Corporate customers.</p> <p>Utilise extensive fleet data to produce modelling and forecasting to inform policy and strategy.</p> <p>Engagement is managed by the dedicated customer relationship and fleet consultancy teams for existing customers, and the new business team for prospective customers.</p>	<p>Hosted internal webinars for colleagues to support awareness around schemes, and external webinars to inform customers.</p> <p>Provided content for customers to use both internally and externally, including at COP26, ranging from written material to videos.</p> <p>Also provided extensive carbon footprint calculation and modelling available for all customers.</p> <p>All customers have a zero emission/BEV-enabled policy. The vast majority of customers are managed on a whole life cost which promotes zero-emission vehicles by including the benefit of lower taxation and running costs.</p>	<ul style="list-style-type: none"> Direct support of customers with SBTi ambitions Providing 10, 20 and 30-year decarbonisation planning to support customer roadmaps to net zero Turnkey solution for BEV charging infrastructure, home, hub and public network. 	<p>The average longevity of our top 20 clients is more than 11 years.</p> <p>BEVs and decarbonisation: over 8,200 of our Corporate funded fleet are BEVs, approximately 60% of our live orders are BEVs.</p> <p>Achieved carbon neutral status and committed to SBTi targets.</p>
CUSTOMERS 	<ul style="list-style-type: none"> Product quality and safety Customer welfare Selling practices and product labelling Business model resilience Product design and lifecycle management. 	<p>Customer interactions with ZenAuto business are measured through the NPS score, Trustpilot, and complaints reviews.</p> <p>Consumer research conducted by the team.</p> <p>Industry studies and surveys.</p>	<p>Expanded regulatory permissions provide the flexibility to extend product range to include insurance.</p> <p>Improved systems and tools to enable colleagues to deliver enhanced customer experiences.</p> <p>Delivered training and competency framework to upskill colleagues enabling improved customer experiences.</p>	<ul style="list-style-type: none"> Secure the stock of cars that can be offered to customers on a timely basis Broaden product range to include car insurance Expand the mobility options available to include subscription and short-term leasing. 	<p>4.8 Trustpilot rating for ZenAuto.</p> <p>The average longevity of our top 20 clients is more than 11 years.</p> <p>50% of our Corporate fleet is with customers whose relationship pre-dates 2016.</p> <p>In ZenAuto, a 4.8 star Trustpilot rating (2021: 4.6 star).</p>
PEOPLE 	<ul style="list-style-type: none"> Labour practices Employee health, safety and wellbeing Training and development Diversity and inclusion Employee engagement. 	<p>Dedicated employee forums that meet monthly with representation from across the Group.</p> <p>Engagement – Best Companies survey used to understand colleagues’ current feelings on what is done well and what can be done better.</p> <p>CEO monthly manager briefings – monthly calls to all those with management responsibility to give updates on business performance, people and industry.</p> <p>Town halls – quarterly sessions within each division to share business updates, industry updates and performance.</p> <p>Diversity and inclusion focus groups – meet monthly to agree activity with the aim of raising awareness and understanding and improving representation.</p>	<p>Agreed and launched the Agile working policy.</p> <p>Retained 2 star accreditation awarded to companies with outstanding levels of engagement.</p> <p>Ensured managers are aware of business priorities and informed of people activity – can then share with teams.</p> <p>Business performance shared, objectives updates delivered.</p> <p>Inclusion strategy launched, Zenith census launched, focus groups created, colleague education programme designed.</p>	<ul style="list-style-type: none"> Agree new format of forum as the business moves to a more divisional working model Conduct a joint survey of the entire Group for the first time since recent acquisitions. 	<p>2 star Best Company.</p> <p>Employee turnover 1% below pre-pandemic levels.</p>
COMMUNITIES 	<ul style="list-style-type: none"> Climate change Human rights and modern slavery Giving back to the community Access and affordability Diversity and inclusion. 	<p>Partnerships with charity of the year and national events (Children in Need, Comic Relief, etc.)</p> <p>Supporting local schools with mentoring, interview skills and career days.</p> <p>Taking part in outdoor community days in areas that local councils have identified as being in need of support.</p>	<p>In the past 12 months, Zenith has donated £15,670 to charity.</p> <p>Offered five outdoor volunteering days to our colleagues, either at Meanwood Valley Park or Kirkstall Valley Farm.</p> <p>Supported two schools in Leeds with career days and interview skills sessions.</p>	<ul style="list-style-type: none"> Expand school support to include all Zenith sites, with a particular focus on STEM to improve the take-up of technical and IT roles for girls and women. 	<p>20 Kickstarter placements offered, 13 converted to perm jobs.</p> <p>2% of workforce completing apprenticeships.</p> <p>£40k raised by colleagues for charitable causes despite impact of multiple lockdowns.</p>

STRATEGIC REPORT

SECTION 172 CONTINUED

STAKEHOLDER ENGAGEMENT, ACTIONS AND OUTCOMES CONTINUED

Stakeholder	Material issues for stakeholder	How we engage	Actions and outcomes	Priorities for next 12 months	KPI/evidence of creating value
SUPPLIERS 	<ul style="list-style-type: none"> Supply chain management Sustainable procurement Financial crime and business ethics. 	<p>Dedicated procurement team to support during tender process and throughout lifecycle.</p> <p>Departmental business owners for key suppliers to ensure opportunities and shared goals are identified.</p> <p>New dedicated tender section to develop supplier opportunities.</p> <p>Supplier governance and risk forum that meets monthly.</p> <p>Ongoing due diligence to ensure that suppliers uphold and support Zenith corporate governance and values.</p>	<p>Reviews of performance KPIs, issues, complaints and supply challenges.</p> <p>Shared development plans where needed.</p> <p>Contracting to confirm policies and codes of conduct back to the supply chain and during supplier review and engagement.</p> <p>Ensure suppliers have all the information they need to be happy to trade with Zenith and ensure they are paid on time and without restriction.</p>	<ul style="list-style-type: none"> Following verification of the science-based targets, work closely with the supply chain to reduce value chain emissions and support them on their own net zero journeys Development of driver feedback systems for dashboards, covering supply performance Development of supplier lifecycle and sustainable procurement policies and procedures Launch supplier relationship management tool to develop and further enable communication with the supply chain Utilise supplier relationship management tool to update suppliers on progress with ESG, and on general business performance more regularly Work closely with vehicle manufacturers to ensure EV100 and green bond targets are met. 	<p>Zenith's commitment to the EV100 initiative is a great example of shared strategic objectives. While Zenith aims to accelerate the transition to BEVs, Kwik Fit aims to become the aftermarket leader in EV tyres, repair and maintenance. With a strong mandate from Zenith we will help deliver peace of mind motoring to customers and drivers by making the transition to BEVs as seamless as possible.</p>
REGULATORS 	<ul style="list-style-type: none"> Business model resilience Product design and lifecycle management Managing the legal and regulatory environments Customer welfare Selling practices and product labelling Access and affordability. 	<p>Zenith engages with regulators in an open and honest way, ensuring that regulatory correspondence is responded to in a timely manner, and overseen by the Group compliance team.</p> <p>Active membership of industry and regulatory working groups.</p>	<p>Senior Manager & Certification regime (SM&CR) compliant under FCA regulations, with change management programmes led by our head of compliance and regulatory programme director.</p> <p>Compliance programme following the vulnerable customers occasional paper led to the creation of vulnerable customers champions across the Group.</p>	<ul style="list-style-type: none"> Continue to monitor the regulatory horizon and ensure that the impacts of regulatory change are implemented within the required timescales Regulatory change programme to ensure business is compliant and ready for the FCA's new consumer duty. 	<p>Zero material breaches.</p> <p>Zero material breaches over past three years.</p> <p>No overdue actions from compliance monitoring.</p> <p>Resilient, consistent financial performance, for example: regularly returned vehicle disposal profits over 20+ years, high degree of visibility from contracted and recurring incomes.</p>
INVESTORS 	<ul style="list-style-type: none"> Climate change Decarbonisation of vehicles Business model resilience Product design and lifecycle management Systemic risk management. 	<p>With Bridgepoint, our institutional equity investor: via representation on the board and regular dialogue.</p> <p>With employee shareholders: via monthly or quarterly briefings on business strategy, activities and performance.</p> <p>With bondholders and rating agencies: proactively via quarterly results presentations and business updates, regularly via an investor relations function and dialogue with investors.</p> <p>With fleet funders: regular dialogue with a broad range of lenders, sharing of pertinent management information regarding the fleet, its funding and future prospects.</p>	<p>Zenith has continued regular and structured dialogue with equity investors, including more frequent face-to-face meetings and more regular interactive sessions.</p> <p>An inaugural bond was launched in January 2022, preceded by numerous, detailed briefings with the investment community on business strategy, performance and prospects.</p> <p>This has been followed by the instigation of routine investor/lender communications.</p> <p>Zenith continued regular dialogue with all fleet funders, resulting in a restructured securitisation arrangement in August 2021, and refinanced and reshaped lending facilities for each division.</p>	<ul style="list-style-type: none"> Continue to develop the suite of information and analysis provided to equity investors Continue to develop the means and content of bondholder and ratings agency communications Continue regular dialogue with all fleet funders, including cultivating further the relationships within the Commercial division that migrated to Zenith on the acquisition of the Cartwright business. 	<p>Dozens of new debt investors have been attracted to Zenith via the inaugural green bond. The business has increased the scale of its funded fleet, improved profits and enhanced cash flow year-on-year for equity investors.</p>

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S STATEMENT

STRONG AND SUSTAINABLE RESULTS



Mark Phillips
Chief Financial Officer

KEY PERFORMANCE INDICATORS

Zenith uses a range of commercial, financial and other KPIs to monitor its business. The most important KPIs for investors to understand are fleet size and growth (including the breakdown of managed and funded fleet) and financial metrics such as gross profit, adjusted EBITDA and cash conversion. We use Adjusted EBITDA (reconciled to our statutory measures in the Glossary at the end of this annual report) as a KPI because it reflects the ongoing performance of our mature businesses, prior to the result of our ZenAuto business, which is in the start-up phase.

Fleet size and growth

Zenith Automotive Holdings Limited	As of March 31		
	2020	2021	2022
Funded Fleet	54,112	66,744	70,155
Managed Fleet	89,534	80,459	91,886
Total Fleet	143,646	147,203	162,041

We increased the size of our fleet to March 31, 2022, by 14,838 units or 10.1% versus March 31, 2021. Funded fleet, a key driver of our income and profits, grew by 3,411 units, predominantly in ZenAuto, where the fleet grew 64% year-on-year to

REVENUE GROWTH

19.9%

y-o-y

RECORD GROSS PROFIT

£136.2m

RECORD EBITDA

£78.2m

CASH CONVERSION

80%

(adjusted for VAT deferral)

CONTRACTED & SCHEDULED INCOME

72%

of gross profit

close the year at over 8,800 units. Funded fleet within Corporate and Commercial both showed strong order intake, reflecting in our growing order book, but fleet growth was delayed because of the supply-side challenges in the automotive industry.

In the last quarter of the year, we increased our fleet from 158,015 units as at December 31, 2021, by 4,026 units or 2.5%. The growth from December 31, 2021, was via both the funded and managed fleets, and particularly strong in the funded books of Corporate (+884 units) and ZenAuto (+585 units).

Financial KPIs

Zenith Automotive Holdings Limited (£000)	For the years ended March 31		
	2020	2021	2022
Turnover	444,636	491,123	589,058
Gross Profit	96,440	103,574	136,244
Adjusted EBITDA, before ZenAuto	58,349	61,466	78,232
Adjusted Operating Cash Flow	37,115	68,336	50,603
Cash Conversion percentage	66.1%	117.7%	67.7%

- Cash conversion is based on EBITDA, i.e. including the results of ZenAuto. Adjusted Operating Cash Flow is reconciled to our statutory measures in the Glossary at the end of this annual report.
- Cash conversion in the years ended March 31, 2021, and March 31, 2022, are not adjusted for the repayment, in instalments from April 2021 to February 2022, of £9m of VAT relating to FY20, which was deferred under the UK government's Covid-19 VAT deferral scheme. Instalments continued to February 2022, by which time the deferred VAT was fully repaid. Adjusting for this VAT effect, Cash Conversion for the year ended March 31, 2022, would be 80%.

Our financial performance in the year ended March 31, 2022, versus the comparative period is explained below. For reconciliations of statutory to non-statutory and KPI-based measures of performance, see Glossary.

Results of Operations

The table below sets out a summary of our income statement information for the periods presented.

Zenith Automotive Holdings Limited (£'000)	For the years ended March 31		
	2020	2021	2022
Turnover⁽¹⁾	444,636	491,123	589,058
Cost of sales ⁽¹⁾	(348,196)	(387,908)	(452,814)
Gross profit^(1,2)	96,440	103,215	136,244
Operating expenses	(40,295)	(45,140)	(61,478)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items	56,145	58,075	74,766
Depreciation of owned fixed assets	(5,299)	(5,909)	(5,364)
Amortisation of goodwill	(23,873)	(24,102)	(24,360)
Amortisation of intangible assets	(25,516)	(26,365)	(26,639)
Operating exceptional items ⁽³⁾	-	(359)	(63)
Operating profit	1,457	1,340	18,339
Finance costs (net)	(98,369)	(104,561)	(118,763)
Finance costs (previous senior debt facilities and current senior notes and RCF) ⁽⁴⁾	(37,058)	(37,699)	(43,495)
Finance costs (on shareholder instruments) ⁽⁵⁾	(61,311)	(66,862)	(75,268)
Loss before taxation	(96,912)	(103,221)	(100,424)
Tax (charge)/credit on loss	(5,503)	4,376	(18,858)
Loss for the financial period attributable to the shareholders of the Group	(102,415)	(98,845)	(119,282)

- We acquired certain trade and assets of the Cartwright Group in September 2020. Turnover and gross profit in the year ended March 31, 2022, include £78.1 million and £15.8 million, respectively, relating to the acquisition of the trade and assets, via our subsidiaries CVFS and CVR. The acquisitions were completed on September 30, 2020, therefore the year ended March 31, 2022, includes a full period of trading, whereas the year ended March 31, 2021, includes six months of trading, and the year ended March 31, 2020, includes no contribution.
- We recognise in cost of sales the costs we incur in respect of assets subject to securitised contracts or hire purchase contracts, such as interest payable on the funding of long-term leases of such assets and depreciation of such assets over the course of their respective lives.
- Finance costs (previous senior debt facilities and current senior notes and RCF) includes amounts due under the previous term facilities and previous revolving credit facilities, refinanced in January 2022, and similar charges under the new £475 million senior secured notes and new £65 million revolving credit facilities issue/arranged in January 2022, and costs incurred in operating the day to day banking of the business. Finance costs in the year ended March 31, 2022, includes £7.3 million in relation to the termination of the previous senior debt facilities, relating to the unamortised arrangement costs that were previously carried on the balance sheet under FRS 4.
- Finance costs (on shareholder instruments) include non-cash shareholder Loan Note and Preference Share interest payable under the terms of those instruments. Interest on these balances is rolled on an annual basis. The other cost in this line is historic payments made to set up finance facilities which are amortised over the life of the facilities.

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S STATEMENT CONTINUED

DIVISIONAL PERFORMANCE SUMMARY

The tables below present a summary of turnover and gross profit of each division.

Corporate

(£000)	For the years ended March 31		
	2020	2021	2022
Turnover	361,007	350,092	376,154
Gross profit	71,971	71,455	89,886

Commercial

(£000)	For the years ended March 31		
	2020	2021	2022
Turnover	69,638	121,590	183,613
Gross profit	13,912	21,779	32,740

Consumer

(£000)	For the years ended March 31		
	2020	2021	2022
Turnover	13,991	19,441	29,290
Gross profit	10,557	10,340	13,618

COMPARISON OF RESULTS OF OPERATIONS FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

Turnover

Turnover increased by £97.9 million, or 19.9%, to £589.1 million for the year ended March 31, 2022 from £491.1 million for the year ended March 31, 2021. The increase in turnover was primarily due to the impact of the acquisition during the prior period of certain trade and assets of the former Cartwright business, which contributed £105.5 million of turnover to our Commercial division in the period, compared to £50.2 million in the year ended March 31, 2021 (i.e. for the period from acquisition on September 30, 2020, to March 31, 2021).

In addition, vehicle disposal incomes increased during the year due to higher rates of income per unit, but offset by lower volumes of terminations than the previous year, particularly in the final quarter of the year and particularly in the Corporate division. Certain revenue streams continued to recover from the effects of the COVID-19 pandemic and related lockdowns that affected the previous year, such as a recovery in demand in our Corporate B2B rental business; whereas other income streams, such as those related to vehicle maintenance and accident management activity, saw subdued volumes as a result of vehicles not being used during periods of travel restrictions and in changing travel habits in the period since the lockdowns ended.

Corporate

Turnover in the Corporate division increased by £26.1 million, or 7.4%, to £376.2 million for the year ended March 31, 2022, from £350.1 million for the year ended March 31, 2021. The increase in Corporate turnover was primarily due to the beneficial effect of higher residual values on vehicles disposed of during the year, notwithstanding the dampening effect on volumes caused by the shortage of supply of new vehicles in the market. Within funded fleet, the level of lease income benefitted from vehicles on extension (i.e. beyond their primary term), although offset by lower levels of fleet as the burgeoning order intake was held up in our order bank, pending the easing of automotive supply difficulties.

In addition, the easing of COVID lockdown conditions, in general, from the prior year to the current year had a beneficial impact on certain in-life services, such as short-term rental brokerage business within our Corporate division. Other incomes related to termination and delivery of vehicles, and the recognition of maintenance profits, were impacted by lower levels of vehicle turnover, i.e. fewer deliveries and terminations.

Commercial

Turnover in the Commercial division increased by £62.0 million, or 51.0%, to £183.6 million for the year ended March 31, 2022, from £121.6 million for the year ended March 31, 2021. The increase in Commercial turnover was primarily due to the acquisition of certain trade and assets of certain parts of Cartwright, which contributed additional turnover of £55.3 million in the year. The remainder of the positive change for the year ended March 31, 2022, was the impact of late hires and extended fleet (in common with our Corporate division) and, to a lesser extent, the positive impact of higher vehicle disposal values on terminations.

Consumer

Turnover in the Consumer division increased by £9.8 million, or 50.7%, to £29.3 million for the year ended March 31, 2022, from £19.4 million for the year ended March 31, 2021. The increase in Consumer turnover was primarily due to the growth in the fleet size following the investments made in the ZenAuto brand and the continuing growth trend in orders and fleet that have characterised the business since its inception. Turnover within our White Label business was broadly flat on the previous year, where in-life and, in particular, delivery incomes were impacted by the shortage of new vehicles in the supply chain. However, the White Label fleet showed stronger growth in H2 than H1, as customer sentiment improved and the effects of the pandemic (after the lag between orders and deliveries) showed positive trends.

Cost of Sales

Cost of sales increased by £64.9 million, or 16.7%, to £452.8 million for the year ended March 31, 2022, from £387.9 million for the year ended March 31, 2021. The increase in cost of sales was primarily due to the additional costs of the former Cartwright business, via CVFS and CVR, in an amount of £46.4 million and the additional cost of sales related to the vehicle disposal incomes (i.e. carrying value of fleet assets at point of disposal).

Cost of sales represented 77% of turnover for the year ended March 31, 2022 and included £119.1 million of depreciation of securitised, HP and operating lease assets and £11.5 million of funding costs of securitised and HP assets. Cost of sales represented 79% of turnover for the year ended March 31, 2021 and included £119.1 million of depreciation of securitised, HP and operating lease assets and £7.3 million of funding costs of securitised and HP assets. The increase in cost of funding of securitised and HP assets related to the new securitisation structure, implemented in August 2021.

Gross Profit Group

Gross profit increased by £33.0 million, or 32.0%, to £136.2 million for the year ended March 31, 2022 from £103.2 million for the year ended March 31, 2021. The primary drivers of growth were termination profits and the impact of the acquisition of former Cartwright businesses by our Commercial division, which contributed £8.9 million of additional gross profit year-on-year.

Termination profits (i.e. profits on disposal of vehicles on termination of vehicles, "Residual Value (RV) profits") increased £23.0 million, or 150%, to £38.3 million, for the year ended March 31, 2022. The volumes of terminations during the year ended March 31, 2022, decreased by 4%, but this reflected substantial growth in terminations of our ZenAuto business (as it matures). Within the Corporate division, the volume of terminations fell by 7%, driven by the lack of new vehicle supply as customers sought a key-for-key exchange, and certain customers opted to extend their contract beyond the primary lease term.

Other factors influencing the gross profit were much less significant by comparison to these two key factors, and are described further below.

Corporate

Gross profit in the Corporate division increased by £18.8 million, or 26.4%, to £89.9 million for the year ended March 31, 2022, from £71.1 million for the year ended March 31, 2021. A significant driver of this increase was the increased value (sales price) of used vehicles, which increased net income from vehicle disposals, notwithstanding the softer vehicle disposal volumes, especially in the second half of the year.

In addition, lease margin was strengthened by the number (and proportion) of vehicles on extended terms, where customers extended their lease beyond the primary period. The key driver of this, at first, was the economic uncertainty concerning COVID and the subsequent lockdowns, then became the result of the delays in deliveries (lengthening lead times on vehicles) caused by shortages and disruption in the automotive supply chain, chiefly semiconductors. Offsetting these effects, various in-life incomes (such as accident management and maintenance) and incomes linked to vehicle deliveries and disposals were subdued by the factors described above.

Commercial

Gross profit in the Commercial division increased by £11.0 million, or 50.3%, to £32.7 million for the year ended March 31, 2022, from £21.8 million for the year ended March 31, 2021. The increase in Commercial gross profit was primarily due to the acquisition of certain trade and assets of the former Cartwright business, CVFS and CVR, which contributed £17.0 million in the year, or an increase of £8.9 million year-on-year.

Consumer

Gross profit in the Consumer division increased by £3.3 million, or 31.7%, to £13.6 million for the year ended March 31, 2022, from £10.3 million for the year ended March 31, 2021. The increase in gross profit was primarily caused by the increase in size of the funded fleet within ZenAuto, generating lease margin and certain in-life income streams, but also an increase in net incomes from vehicle disposals, as an increasing number of ZenAuto leases reached termination dates.

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S STATEMENT CONTINUED

Again, ZenAuto saw a higher than expected proportion of vehicles in extension as new vehicle supply remained tight.

Operating Expenses

Operating expenses increased by £16.3 million, or 36.2%, to £61.5 million for the year ended March 31, 2022, from £45.1 million for the year ended March 31, 2021. The increase in operating expenses was primarily due to the acquisition by our Commercial business (see above), adding £5.7 million of operating expenses and investment in the Consumer business of £2.8 million, predominantly related to the growth of our fleet and investment in the ZenAuto brand (such as in the nationwide marketing campaign) and product proposition, together with the increase in variable and semi-variable costs as the ZenAuto business increases in scale. Furthermore, there was an increase in bonus cost accruals, compared to the previous period, relating to the employees of the business, where we run a performance incentive scheme linked to Group profitability.

Operating expenses also include: depreciation of owned fixed assets (i.e. depreciation of non-fleet related assets, such as computer hardware and software, fixtures and fittings and similar fixed assets); and amortisation of acquired intangibles and amortisation of goodwill, both of which are non-cash items, driven by the intangible assets created (like goodwill) when Bridgepoint acquired the business in 2017.

Finance Costs

Finance costs for the year ended March 31, 2022, reflect the cost of the previous term and revolving credit facilities, which were refinanced by the new senior secured notes and revolving credit facilities in January 2022. Finance costs increased by £14.2 million, or 13.6% to £118.8 million for the year ended March 31, 2022, from £104.6 million for the year ended March 31, 2021. The increase in finance costs was primarily a result of the annual compounding of interest under the shareholder loan notes and preference shares (both of which are non-cash returns, and shareholder debt). Finance charges also reflect a charge of £7.3 million related to the (non-cash) write-off of the balance sheet value of arrangement fees and expenses incurred when the previous senior debt facilities were arranged in 2017.

Tax Charge/Credit

Tax altered by £23.2 million, or 531%, to a charge of £18.9 million for the year ended March 31, 2022 from a credit of £4.4 million for the year ended March 31, 2021. The change in tax result was primarily due to the effect of corporation tax rate changes on deferred tax balances (i.e. a non-cash item), and partly due to an increase in profits subject to tax and an increase in the expenses not deductible for tax purposes in the year ended March 31 2022.

Facilities funding our fleet

Fleet leasing is a capital intensive business and requires continuous access to different funding sources at attractive terms in order to maintain attractive margins. We seek to fund the substantial majority of our funded fleet through securitisation facilities and the remainder with wholesale asset finance arrangements, such as secured back-to-back hire purchase contracts, RV financing and agency funding. The substantial undrawn capacity we currently have under our new securitisation facilities, in particular, enables us to continue growing the size of our funded fleet.

On August 13, 2021, we entered into two new securitisation facilities providing for aggregate funding commitments of £725.0 million. Following the implementation of the new securitisation facilities, we now fund an increasing proportion of new RVs through our new securitisations, which we plan to continue.

On March 31, 2022, we had drawn £532.8 million on our securitisation facilities (March 31, 2021: £382.9 million). We had also drawn £139.1 million on our RV facilities (March 31, 2021: £154.5 million) that are connected to the bifurcated securitisation facility (through which the lease receivables are funded by securitisation and the RV assets are funded by separate bilateral facilities). These drawings compare to an aggregate amount of such securitisation and RV facilities of £887.7 million (£725.0 million in respect of bifurcated and non-bifurcated securitisation facilities, plus £162.7 million of RV facilities for the bifurcated programme).

Back-to-back hire purchase funding is an arrangement whereby we buy a vehicle through a hire purchase contract funded

by a financier and lease it on contract hire to customers on corresponding terms. As of March 31, 2022, we had drawn £74.1 million of funding commitments pursuant to back-to-back hire purchase agreements with financiers (March 31, 2021: £51.8 million).

Agency funding is an arrangement whereby we contract as disclosed or undisclosed agent for a third party which finances the vehicle purchase and, in most instances, holds legal title to the vehicle. As of March 31, 2022, we had utilised approximately £105.7 million of agency funding (March 31, 2021: £130.3 million).

In respect of the back-to-back funding and agency funding, there has not been a material change in the scale or nature of those facilities since September 31, 2021 (i.e. shortly after the refinancing of the securitisation facilities). The scale or nature of the RV funding has also not materially changed over the same period. However, shortly before the year-end, we finalised a new £37.0 million combined RV and back-to-back facility, which we will draw-down over time as appropriate.

Liquidity

Our principal source of liquidity on an ongoing basis, including for the purposes of funding credit enhancement costs in respect of our securitisation facilities, is expected to be our operating cash flows.

As part of the refinancing of our senior term debt in January 2022, we entered into a new revolving credit facility in an aggregate amount of £65.0 million. As at March 31, 2022, our revolving credit facility was undrawn. As such, the financial covenant test under the facility was not tested.

The Group had an aggregate cash balance as at March 31, 2022, of £60.2 million (March 31, 2021: £19.2 million), of which £9.3 million (March 31, 2021: £6.8 million) relates to cash balances held within the special purposes vehicles that are part of our securitisation structures. Therefore, the Group had freely-available cash resources at March 31, 2022, of £50.9 million (March 31, 2021: £12.4 million), in addition to the undrawn capacity on the new £65.0 million revolving credit facility.

Historical cash flows

The following table sets forth cash flow information for the periods presented. A non-statutory cash flow presentation is appended to this document (in "Glossary"), to assist the understanding of our cash flow.

Zenith Automotive Holdings Limited (£000)	For the years ended March 31		
	2020	2021	2022
Net cash inflow from operating activities	151,428	196,858	175,182
Tax paid	(4,063)	(2,301)	(1,156)
Net cash flows used in investing activities	(179,610)	(248,535)	(252,948)
Net cash flows from/(used in) financing activities	84,785	(377)	119,876
Net increase/(decrease) in cash and cash equivalents	52,540	(54,355)	40,955
Cash and cash equivalents at start of period	21,028	73,568	19,213
Cash and cash equivalents at end of period	73,568	19,213	60,168

Net cash inflow from operating activities

Net cash inflow from operating activities decreased by £21.7 million, to £175.2 million for the year ended March 31, 2022, from £196.9 million for the year ended March 31, 2021. This decrease in net cash flow from operating activities was primarily due to an increase in receivables and a reduction in payables of £19.6m, of which £9.2 million relates to the repayment of VAT that was deferred under Covid-19 VAT payment deferral scheme.

Tax paid

Tax paid decreased by £1.1 million, to £1.2 million for the year ended March 31, 2022, from £2.3 million for the year ended March 31, 2021, as tax payments resumed a more normal pattern of payments on account for corporation tax, reflecting adjustments from previous years' instalment payments.

Net cash used in investing activities

Net cash flows used in investing activities increased by £4.4 million, to a cash outflow of £252.9 million for the year ended March 31, 2022, from a cash outflow of £248.5 million for the year ended March 31, 2021. This increase in net cash outflows used in investing activities was primarily due to higher volume of vehicles purchased (and funded) at higher prices than in previous years.

Net cash flow from/(used in) financing activities

Net cash flows (used in)/from financing activities changed by £120.3 million, to a cash inflow of £119.9 million for the year ended March 31, 2022, from a cash outflow of £0.4 million for the year ended March 31, 2021. This included a net inflow of £40.8 million via the drawing of the new senior secured notes of £475 million, offset by the repayment of the previous senior term debt facilities. The former debt facilities were refinanced in January 2022.

Off-balance sheet arrangements

As of March 31, 2022, our only material off-balance sheet arrangement relates to vehicles funded through agency arrangements. For such vehicles, only the commitment to repurchase the vehicle at the end of the lease for the RV is recognised on the balance sheet. As of March 31, 2022, the outstanding balance of vehicles subject to repurchase arrangements through such agency arrangements was £36.9 million (March 31, 2021: £36.7 million), reported as "Vehicles subject to repurchase agreements." By contrast, the outstanding rentals balance is reported on the agency funder's balance sheet.



Mark Phillips
Chief Financial Officer

RISK MANAGEMENT PROCESS

RISK MANAGEMENT PROCESS

Effective risk management is critical in enabling Zenith to meet its strategic objectives and achieve sustainable long-term growth. The approach to identifying and assessing, managing and mitigating risks is summarised in the following model:

RISK MANAGEMENT FRAMEWORK

Risks are managed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur, the controls in place to mitigate the risk, and any actions being taken to bring the risk back within risk appetite. The leadership board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable.

Read about our decision making structure in detail on page 98.

RISK IDENTIFICATION

What is the risk?

RISK ASSESSMENT AND QUANTIFICATION

How big and how likely is it?

RISK MONITORING

Has the risk changed in nature, scope, likelihood or impact?

RISK MITIGATION

What is being, or can be, done to address it?



MATERIALITY ASSESSMENT METHODOLOGY

FIRST LINE OF DEFENCE

Operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

Dedicated resource assists with ensuring these control frameworks are embedded and fit purpose. Operational controls are designed to maintain an appropriate control environment and drive great customer outcomes.

SECOND LINE OF DEFENCE

Comprised of compliance and other functions.

Provide specialist support, guidance and assistance in creation and implementation of policies.

Complete monitoring to assess effectiveness of first line control frameworks to confirm positive customer outcomes are being delivered in compliance with regulatory requirements. Results of oversight activity are reported to relevant committees.

THIRD LINE OF DEFENCE

Independent assurance provided by particular procedures or projects with independent advisers, and/or by compliance checks by independent teams within the business.

RESPONSIBILITIES

The holding board

- Determine the Group's risk appetite
- Ensure appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate risks to the overall viability of the board and the audit committee
- Promote a culture of risk management.

The leadership board

- Overall responsibility for overseeing the Group's risk management and internal control processes
- Assess the scope and effectiveness of the Group's internal controls and risk management
- Agree the scope of the external audit functions (and any ad hoc work commissioned that covers risk management), and review their work
- Escalate risks outside of tolerance, and any emerging risks, to the enterprise risk committee and the holding board
- Promote culture of risk management, leading by example.

The enterprise committee

- Review and oversight of matters associated with the risk of harm to the business
- Consideration of enterprise risks and any subsequent recommendation on behalf of the holding board
- Assess risks escalated to the committee through other committees, teams or individuals, where the performance of a risk is outside risk appetite, or if a new risk emerges that is yet to be formally acknowledged by the business.

Divisional and functional teams (first line of defence)

- Identify, assess, monitor, manage and mitigate risks, and exploit opportunities
- Ensure corrective actions to mitigate risks and address control deficiencies
- Embed risk management and internal controls in business-as-usual
- Promote a culture of risk management
- Escalate any out-of-tolerance or emerging risks to the enterprise risk committee and leadership board
- Ensure that policies and processes mandated by the board are enacted.

Risk and compliance teams (second line of defence)

- Independent of the first line
- Provide independent assurance on the effectiveness of operational controls and risk management processes
- Establish appropriate policies, provide guidance, advice and direction on implementation for all Zenith employees and any relevant stakeholders.

STRATEGIC REPORT

RISK MANAGEMENT CONTINUED

PRINCIPLE RISKS

Risk	Why is it a risk to Zenith?	Potential impact of risk	Risk appetite	Controls	Governance	Notable events in the year
Interest rate risk	Zenith provides financing to customers at fixed rate returns, which we borrow at variable rates initially; this creates a risk of mismatching interest rates on money bought and sold.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. Strategic linkage: 2 5	Low	Contractual, obligatory or customary positions eliminate interest rate risk on funding our vehicle fleet.	Policy and approach governed at board level. New contractual obligations subject to delegated authority and directorial involvement in review process.	Refinancing of term debt to fixed rate notes eliminated any remaining interest rate risk on long-term corporate debt. New securitisation facilities include obligation to remove interest rate risk via hedging (using caps and swaps).
Residual value risk	Zenith provides contract hire products to customers, whereby the vehicle reverts to Zenith at the end of the contract; we take the risk/reward of selling that vehicle for more than the carrying value in our books.	Ability to deliver profitable growth and positive cash generation. Ability to service debt on vehicle funding that is linked to the residual value. Strategic linkage: 1 2 5	Medium	RV committee determines policy, approach and decision making. Separation of RV risk team, RV decision making and reporting lines from customer-facing roles (including the sales, CRM and new business teams), ensuring independence and eliminating any possible conflict of interest. RV risk team comprises experienced individuals in various fields (eg data science), not just in the automotive field.	Policy and approach governed at board level. RV risk committee sits quarterly and reports to enterprise risk committee.	No change in approach taken to RV positions. Substantial increase in equity within RV positions, given recent increases in used vehicle market prices. Supported by rise (albeit at a lower rate) in independent forecasts of our RV positions.
Maintenance risk	Zenith provides at-risk maintenance products to customers; i.e. Zenith takes the reward of a monthly payment, in return for assuming maintenance risk on behalf of customers.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. Strategic linkage: 2 5	Medium	As per residual value risk above. In addition, we mitigate risk via contractual positions with customers, eg commitments regarding mileage or vehicle use/condition.	As per residual value risk above.	Lower maintenance spending due to lower vehicle mileage during COVID-19 lockdowns.
Credit risk	Zenith provides financing to customers that is, in effect, back-to-back with funding arranged with third parties; if customers cannot meet their obligations to Zenith, the business must nonetheless meet its obligations to the funder, in essence taking a credit risk on the customer.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. Strategic linkage: 1 2 5	Low	Credit committee determines policy, approach and decision making. Separation of credit risk team, credit decision making and reporting lines from customer-facing roles (including the sales, CRM and new business teams), ensuring independence and eliminating any possible conflict of interest. Credit risk team comprises experienced individuals in financial analysis and credit risk management. In the case of consumer credit (ZenAuto), there is a technology led approach to risk assessment and a high bar for credit applications, with relatively minimal scope for intervention or referral.	Policy and approach governed at board level. Policy and practice that all new business is, first, subject to credit risk assessment, before accepting a new customer. Regular reviews of all corporate customers each financial year. In the case of ZenAuto, regular review of credit applications from customers each financial year.	No substantial defaults or delinquencies during the year, either on a corporate or consumer basis.

PRINCIPLE RISKS CONTINUED

Risk	Why is it a risk to Zenith?	Potential impact of risk	Risk appetite	Controls	Governance	Notable events in the year
Liquidity risk	Zenith relies on available cash and debt resources to manage its finances on a day-to-day basis, but also to act as a backstop to any funding need in respect of growth or refinancing of the vehicle fleet.	Ability to deliver profitable growth. Ability to service debt on vehicle funding or other forms of debt. Ability to fund strategic initiatives. Strategic linkage: 2 3	Low	Customary treasury and cash controls, such as planning and forecasting cash, liquidity and vehicle funding needs. Close monitoring of vehicle funding facilities to mitigate risks of non-compliance and any risk of shortfalls in funding availability against asset classes or customer categories.	Policy and approach governed at board level. Funding committee (linked to credit committee). Board level oversight and review of ongoing compliance and any proposed, material changes to funding capacity or liquidity.	See strategy in action: green bond. Term debt maturity extended to 2027, revolving credit facilities increased to £65 million and extended to 2027, bond proceeds included £32 million net proceeds taken to balance sheet as cash. Refinancing of securitisation - leading to favourable liquidity available.
Information security risk	Zenith is a technology-led business, with services founded on IS/IT solutions that deliver valuable services for customers.	Ability to deliver profitable growth. Strategic linkage: 4	Low	Systems, processes and controls are described in the Technology section of this report.	Policy and approach governed at board level, with oversight and review of ongoing compliance.	No material events or changes.
Regulatory compliance risk	Zenith includes entities that are authorised and regulated by the Financial Conduct Authority. They provide regulated products and services in its Corporate and Consumer divisions.	Ability to deliver profitable growth. Strategic linkage: 4 5	Low	Systems, processes and controls are described in the Governance section of this report. In addition, the general control environment described in this Risk Management section applies particularly to this risk.	Policy and approach governed at board level. Board level oversight and review of ongoing compliance and any proposed, material changes to regulated products and services.	No material events or changes.
Health and safety risk	Within our Commercial division, in particular, we operate depots, workshops and mobile units that expose our employees to inherent risks of accident or injury. Elsewhere within the Group, our employees tend to be office- or home-based and such risks are not relevant or more remote.	Ability to deliver profitable growth and positive cash generation. Ability to retain and care for our employees. Reputational and compliance risks. Strategic linkage: 3 4	Low	Risks are assessed, monitored and controlled via the health & safety committee. Day-to-day operations are controlled and monitored by designated health and safety employees within the business. Whistleblowing hotlines, employee forums and other means of communicating health and safety risks or concerns.	Policy and approach governed at board level. Health & safety committee sits monthly.	Further investment in the health and safety compliance of our Commercial sites. No material events.

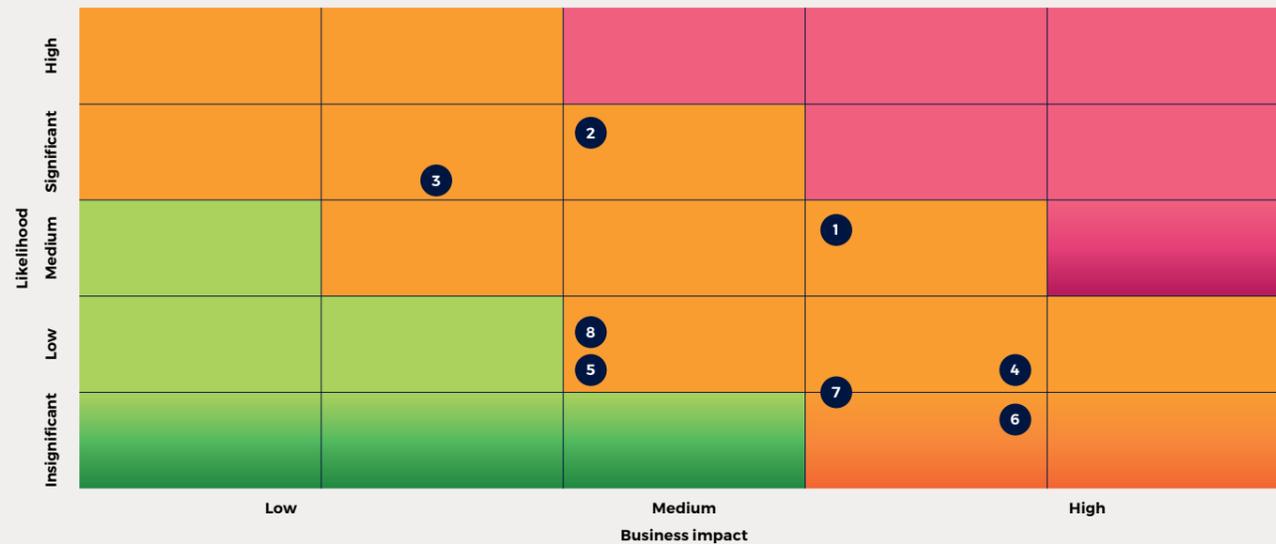
Strategic pillars

- 1 Be pre-eminent in our chosen markets**
- 4 Make a positive impact on society**
- 2 Embed sustainability throughout the business**
- 5 Create value for our stakeholders.**
- 3 Be the employer of choice in our sector**

STRATEGIC REPORT

RISK MANAGEMENT CONTINUED

RISK HEATMAP



- Risk
- 1 Interest rate risk
 - 2 Residual value risk
 - 3 Maintenance risk
 - 4 Credit risk
 - 5 Liquidity risk
 - 6 Information security risk
 - 7 Regulatory compliance risk
 - 8 Health and safety risk

EMERGING RISKS

Automotive industry supply chain risks

The past 12-18 months has seen a marked change in the automotive industry. Following repeated lockdowns during the COVID-19 pandemic, the industry has been severely disrupted by supply chain challenges, particularly the shortage of electronic components, notably semiconductors. More recently, the war in Ukraine and the knock-on effects of sanctions, plus another round of COVID-19 lockdowns in China, have led to further shortages and delays in the supply chain. Whereas the reliable manufacture and distribution of new vehicles, subject to demand, into the UK market has been a dependable constant for many years, the recent past has demonstrated the vulnerability of these supply chains, and their dependence on particular countries and commodities. The consequences have been varied, but include rising prices for used vehicles (partly caused by the absence of sufficient supply of new vehicles), the retention of existing vehicles by owners who would otherwise have disposed of their vehicle and, therefore, lower volumes of deliveries and terminations.

The board takes these developments seriously and keeps the changing nature of this risk under review, particularly in terms of its impact on Zenith's

performance and prospects, and delivery of its strategy.

Linked to this risk is the connected (but separate) risk of pricing and margin erosion. While Zenith does not suffer margin risk when a vehicle is live and funded (i.e. received by a customer and funded by Zenith), Zenith does bear some risk of movement in cost of funds between the date of quote and the date of vehicle delivery. This risk can be mitigated by building in any expectation of an increase in the cost of funds (e.g. by assessing forward curves for GBP swap rates), but this necessarily involves uncertainty.

Therefore, in a market where vehicle lead times (i.e. the time between order and delivery) have been stable, and in economic circumstances where future movements in interest rates have been foreseeable, pricing and margin erosion risk has been relatively low. However, currently, with lead times becoming increasingly variable (and/or volatile, and/or long) and interest rates also becoming harder to foresee (and potentially volatile), the risk of margin fluctuation is increasing. We manage this risk through the oversight of the pricing committee and regular margin reviews on a customer-by-customer basis.

Strategy linkage: 1 4 5

Inflationary and macroeconomic risks

The past six months has seen a deterioration in macroeconomic conditions in the UK, with inflation becoming more widespread and rising sharply. Subsequent to that, interest rates have risen quickly, though remain at historically low levels; consumer confidence has fallen, and economic growth forecasts have been cut. This cycle of deterioration is ongoing at the time of writing, with heightened uncertainty remaining present.

The past decade has generally been a period of low and stable interest rates, relatively stable inflation (by historical standards) and few prolonged periods of worldwide economic uncertainty (the impact of Brexit on confidence in the UK economy notwithstanding). The recent volatility and sharp downturn in economic prospects is unusual by these standards, particularly when the unknown consequences and unpredictability of conflict in Eastern Europe is added into the mix.

The board keeps these developments under constant review, in particular with regard to our consumer businesses and also our access to vehicle funding via the capital and asset finance markets. The board is confident that our business model, in particular the diversity of our income streams, our focus on the prime end of the credit spectrum, and natural hedges across different stages of the vehicle lifecycle (and the incomes attached to those different stages) will materially reduce the risk to our strategic objectives of a further and/or prolonged downturn in macroeconomic conditions.

Strategy linkage: 2 5

Recruitment and labour market risks

Given the recent and prospective growth of Zenith, we have ambitious plans to create new jobs and recruit more employees in all parts of our business. This includes skilled and semi-skilled roles, nationwide job opportunities and through all levels of the organisation.

However, the labour market in the UK is now particularly tight, demonstrated by the record number of vacancies, low unemployment and pay growth. In these circumstances, there is an emerging risk to the execution of our strategy, in respect of recruiting new employees of the right type at the right time.

We mitigate such risks by an effective talent acquisition strategy, devoting time and resource to planning and implementing recruitment well in advance of time, by training and developing our people and by being innovative and agile in our recruitment tactics.

Strategy linkage: 3



Strategic pillars

- 1 Be pre-eminent in our chosen markets
- 2 Embed sustainability throughout the business
- 3 Be the employer of choice in our sector
- 4 Make a positive impact on society
- 5 Create value for our stakeholders

STRATEGIC REPORT

RISK MANAGEMENT CONTINUED

RESIDUAL VALUE RISK MANAGEMENT

Zenith offers a variety of leasing and fleet management services, but the predominant product of the business is contract hire. Providing leases on contract hire means that Zenith retains the value (RV) risk/reward on the return of a vehicle from a customer, in the form of a realised value (sales price, less costs to sell) that is different to the carrying value of that vehicle on the books.

RV risk is governed by a residual value committee (see Governance section) and day-to-day management of these risks/rewards is undertaken by a combination of the RV risk and remarketing teams. This includes the tactics and decision making with respect to setting of residual values, implementation of policy and approach, through to the disposal of vehicles and realisation of disposal proceeds. These teams are independent of the sales and marketing teams within the business, which reduces the risk of competing interests influencing RV positions.

Strategy and approach

Fundamental to Zenith's RV position are:

- A consistent approach to RV setting that dates back to the origins of the business
- A diversified portfolio of assets (i.e. all drivetrains, all makes, marques and models)
- An expectation from our customers that we manage risk appropriately and provide consistency in pricing, without undue fluctuations from used vehicle market movements
- An acknowledgement that our vehicle funders (who fund against vehicle residual values) expect consistency of approach and RV setting that is within historical parameters

- The utilisation of a wealth of in-house empirical data on RV performance (by make, marque, model and drivetrain) and on remarketing performance (Zenith's disposal performance versus market benchmarks)
- The careful selection and application of third-party data, to benchmark our own positions and performance, and (separately) to forecast RV equity positions based on our book
- The consistency of our approach and policy, in setting RVs and in managing remarketing of vehicles, can be illustrated most clearly through a track record of over 20 years of consistent RV profits. We have achieved this track record through numerous economic cycles and various automotive market conditions.

Market conditions in financial year 2021-22

The used vehicle market has seen substantial inflation in 2021 and 2022. This is the result of a variety of factors which have driven prices upwards across much of the UK market, and particularly for the type of vehicles that Zenith disposes of regularly (i.e. three to four years old). These factors include:

- Surging demand as the economy recovered from the COVID-19 lockdowns and the demand for new and used vehicles increased
- A shortage of new vehicles that has caused demand to shift from new vehicles into used vehicles, and down the age/price bracket
- Increasing demand as people preferred the option of private motoring to public transport
- The knock on effects of a dearth of new registrations in the UK market dating back to 2017, which has continued from that time to now, caused successively by Brexit, the worldwide harmonised light vehicle test procedure (WLTP), and then COVID-19.

The first result of these and other factors has been that used vehicle prices have increased by approximately one-third in the calendar year, as demand has substantially outstripped supply. Towards the end of 2021, there were signs that used vehicle prices had peaked, and prices have remained consistent since that time, subject only to the usual moderate seasonal variations.

The second result, particularly pertinent for Zenith, has been that termination volumes have been depressed, as most of Zenith's corporate customers seek to exchange their existing vehicle for a new one. The lack of new vehicles has caused these customers to retain their existing vehicles for longer, pushing the usual cycle of vehicle disposals into the future.

Prospects and outlook

Indications are that the supply chain constraints of financial year 2021-22 will continue, and that used vehicle prices will remain higher for longer than previously expected. In turn, market volumes will remain lower for longer. The crisis in Ukraine exacerbates existing difficulties in the supply chain and prolongs this period of market dislocation, and the expectation of industry analysts is that a gradual return to market norms, in terms of transaction volumes, is unlikely until 2024, and that constraints that have driven prices higher will remain for a number of years beyond that of new vehicles returns to market norms, the dearth of registrations dating back to 2017 will take years for the used vehicle market to catch up with. In addition, the relative lack of supply of BEVs, compared to the inevitable surge in consumer demand for these vehicles, will have a lasting effect well into this decade.

USED CAR INFLATION TO MARCH 2021:

7%

USED CAR INFLATION TO MARCH 2022:

32%

2018 DELIVERIES:

63%

of RVs written – Diesels

2022 DELIVERIES:

66%

of RVs written – BEVs

In 2018, 63% of Zenith RV positions underwritten were diesel; by 2021, 66% of Zenith RV positions underwritten were BEV.

YEARS OF CONSISTENT RV PROFITS THROUGH THE ECONOMIC CYCLE

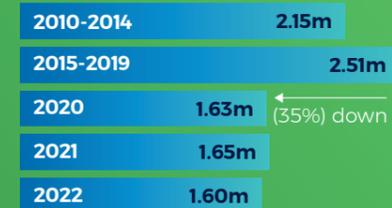
20 years

ZENITH DISPOSAL PERFORMANCE



Zenith's disposals cars versus CAP Black Book: 100% to 112% over financial year 2021-22.

NEW VEHICLE REGISTRATIONS (CARS)



2022 is the latest forecast from the SMMT.

2010-2014 and 2015-2019 are yearly averages.



GOVERNANCE REPORT

SECTION 2 GOVERNANCE REPORT

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GOVERNANCE AT A GLANCE

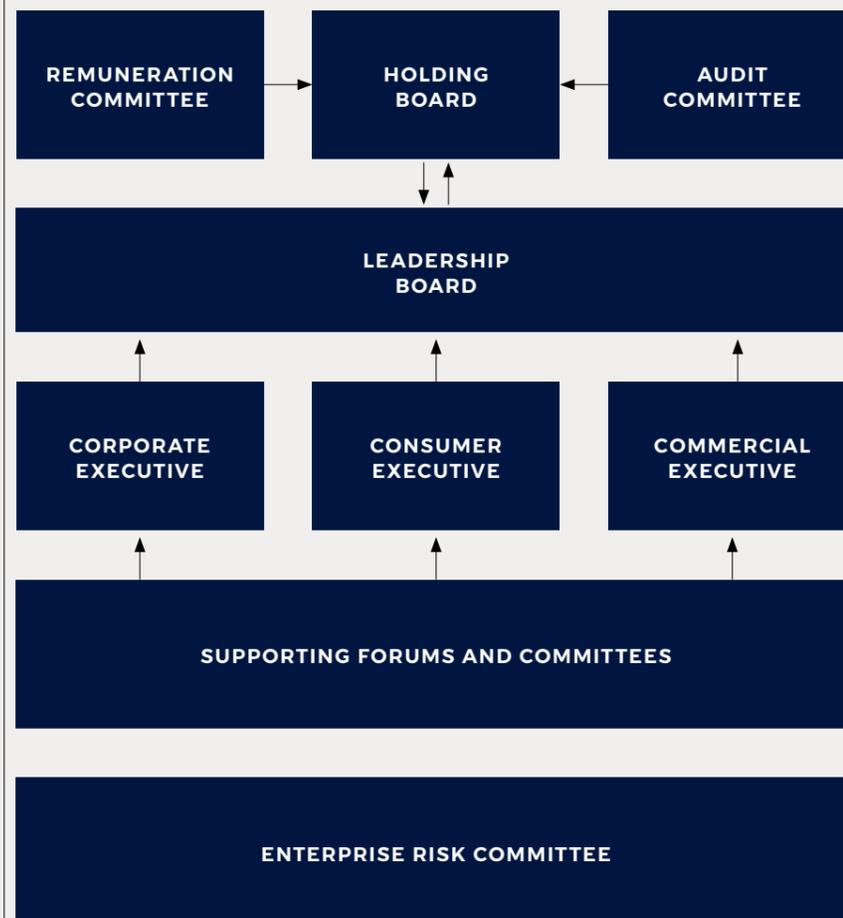
CORPORATE GOVERNANCE



James Edwards
Group General Counsel

Zenith is structured so as to ensure clear oversight, accountability and challenge at all levels. Conducting business responsibly means being open and transparent, and always nurturing good corporate governance.

To ensure these aims are met, Zenith operates various boards and committees, covering all aspects of business and operations. This structure enables senior management to make decisions based on accurate information. Decision making in certain areas is devolved from the holding board to a range of sub-boards and committees. This enables the business as a whole to be more agile, to deliver better products and services, and to ensure the best outcomes for customers.



HOLDING BOARD

The holding board is ultimately responsible for ensuring the success of Zenith. It does this by collectively directing the affairs of the business, balancing its interests against those of shareholders and stakeholders where appropriate. The board provides strategic direction, purpose and governance within a framework that enables risk to be assessed and managed, and commercial opportunities to be realised.

LEADERSHIP BOARD

With authority delegated from the holding board, the leadership board implements the policy and strategy adopted by the holding board, and deals with operational matters affecting the Zenith group of businesses. It reviews detailed management information, including performance metrics and risk, sets behavioural standards, and ensures the necessary financial and human resources are in place for the business to meet its strategy and objectives.

DIVISIONS

Each of Zenith's three divisions also has its own executive committee. These committees review performance topics that underpin the ongoing effectiveness of existing controls, process and behaviours within the three divisions, and cover operational, commercial and regulatory matters. The committees provide close review and oversight of each function, and report matters arising to the leadership board.

OVER 1,000 ZENITH CORPORATE CUSTOMERS ARE SUBJECT TO DAILY SANCTIONS CHECKS

ZENITH HAS BEEN ACCREDITED TO ISO 27001 STANDARD SINCE 2014

GOVERNANCE IN DETAIL

Zenith is committed to conducting business with integrity, fairness and transparency. The business operates frameworks and embeds policy and procedure with the principal aim of achieving best practice, and compliance with applicable laws and regulations. We combine these policies and procedures with appropriate technical and organisational measures to mitigate risk, regularly assessing risks to the business, customers, investors and the wider public good.

In addition, Zenith is subject to various legal and regulatory regimes, including:

- Information Commissioner's Office (ICO)
- Financial Conduct Authority (FCA)
- UK sanctions law
- Money laundering regulations
- Environmental/health and safety regulations.

The Zenith legal and compliance team, together with divisional representatives (who have ultimate accountability), are tasked with the development and maintenance of supporting policies covering areas including the prevention of tax evasion, anti-fraud, bribery and corruption, anti-money laundering, whistleblowing and conflicts of interest.

Financial crime framework	Oversight	Training and awareness
Anti-bribery and corruption	• Accountability: Deputy CFO/MLRO	• Mandatory e-learning
Anti-fraud	• Subject matter expert: Financial Crime Compliance Officer	• Daily questions via LMS
Anti-money laundering and counter-terrorist financing	• Leadership board: monthly compliance reporting and metrics.	• Interactive workshops
Trade sanctions		• Classroom training
Tax evasion		• All-staff emails
Conflicts of interest		• Posters and other physical collateral.
Whistleblowing		

Data protection and information security frameworks	Oversight	Training and awareness
ISMS (ISO/IEC27001:13)	• Accountability: Directors (acting as information risk owners)	• Mandatory e-learning
Business continuity	• Responsibility: Managers (acting as data guardians)	• Daily questions via LMS
Access control	• Subject matter experts: Data Protection Officer (CIPP/E, CIPM), Chief Information Security Officer	• Interactive workshops
Privacy management framework	• Leadership board: monthly compliance reporting and metrics.	• Classroom training
Privacy by design and risk management		• Phishing campaigns
Data subject rights		• All-staff emails
Records management		• Posters and other physical collateral.
Third-party management		
Data retention		
Incident management		
Compliance monitoring and assurance		
Fair, lawful and transparent processing		
Records of processing		
Data minimisation		

FCA framework	Oversight	Training and awareness
Senior manager and certification regime (SM&CR) framework	• Accountability: leadership board	• Mandatory e-learning
FCA policies including vulnerable customers, treating customers fairly, creditworthiness and affordability, and complaint handling	• Subject matter expert: Head of Compliance	• Daily questions via LMS
Compliance monitoring/assurance	• Leadership board: monthly compliance reporting and detailed management information.	• Interactive workshops
		• Regular all-staff communications.

GOVERNANCE REPORT

GOVERNANCE AT A GLANCE CONTINUED

BUSINESS GOVERNANCE, ETHICS AND NON-FINANCIAL INFORMATION

Zenith is a business which operates ethically and transparently in all its activities, and expects the same of its supply chain. This approach reflects the values of the business and its people, and we always aim to:

- Treat customers with respect and fairness, and act in line with our values

- Deliver great customer outcomes
- Treat partners and suppliers fairly, and establish long-term relationships that deliver value and high levels of service
- Promote and be an advocate for the industry's environmental impact mitigation activities, and work closely with specialists to ensure that Zenith promotes carbon reduction strategies

- Work closely with government and industry bodies to ensure that we provide consistency and clarity for customers and the market sector
- Deliver services through professional, trained and happy colleagues.

Financial Conduct Authority

The Group includes four entities which are authorised and regulated by the FCA: Zenith Vehicle Contracts Limited, ZenAuto Limited, Leasedrive Limited and Provecta Car Plan Limited.

All policies and procedures are aligned with legislation and regulations to ensure that customers are always treated fairly throughout their interaction with Zenith, and that we deliver excellent customer outcomes. The regulations and principles relating to treating customers fairly are embodied in policy and procedure across the Group.

To ensure compliance with regulatory requirements and to continue to deliver excellent customer outcomes, a programme of compliance monitoring activity is undertaken in accordance with our compliance monitoring plan. To keep abreast of regulatory change, the regulatory horizon is constantly scanned and any changes that impact Zenith are assessed, and action is taken where necessary to ensure ongoing compliance.

Vulnerable customers

Vulnerable customer champions support colleagues across the regulated entities. These champions are collectively responsible for analysing and reviewing our processes, systems, documentation and training around vulnerable customers, to support continuous development in identifying and assisting them. The champions meet regularly at the vulnerable customers forum.

As a result of COVID-19, Group compliance provided additional training to colleagues on vulnerable customers, with a particular focus on financial difficulty. This training was supported with further sessions on identifying vulnerable customers that were delivered immediately following the draft publication of the FCA guidance on treatment of vulnerable customers.

Information security and data protection

Zenith works in a data driven environment where information security and data protection are of paramount importance. The business aims to be a trusted data custodian for all stakeholders, implementing industry-leading standards and international best practice.

Data management frameworks incorporate appropriate technical and organisational measures, to comply with relevant law and maintain the confidentiality, integrity and availability of data. The Zenith information security management system is accredited to ISO/IEC 27001:13 and our privacy management framework is underpinned by an assurance model, developed by a recognised professional services and audit company.

To assist operational business functions at the first line of defence, Zenith has nominated data guardians across the business to assume responsibility for managing data in their business areas. They are supported by directors of the business in their capacity as accountable information risk owners. This programme is subject to monitoring, review and continuous improvement, ensuring that we mature our data frameworks and increase their effectiveness.

Human rights and labour standards, modern slavery

Zenith recognises the right of every individual to liberty, freedom of association and personal safety. The business observes internationally recognised standards set out in the UN Universal Declaration of Human Rights and the International Labour Organisation (ILO) conventions. A suite of policies and procedures supports this commitment to upholding labour standards for employees. These include:

- Harassment and bullying
- Grievance
- Equality
- Diversity and inclusion
- Health and safety
- Child labour and safeguarding
- Modern slavery and human trafficking.

A modern slavery transparency statement is published annually on the Zenith website. This details the steps taken to ensure that modern slavery and human trafficking offences do not occur in the business or its supply chain. It also articulates our commitment to be an industry leader in tackling unequal labour conditions globally.

Human rights and labour standards, modern slavery (continued)

Zenith's longstanding commitment to conducting business ethically, and to preventing slavery and human trafficking, includes the following measures:

- A collaborative approach with the supply chain, encouraging transparency and providing support, guidance and monitoring to tackle any reported issue; serious or repeated violations may result in reduced volume of business or exclusion
- Annual training for stakeholders, both internal and external
- A supplier lifecycle and procurement policy incorporating pre-contractual supplier due diligence, comprehensive contractual agreements, periodic review and a supplier code of conduct
- Annual risk assessment of the supply chain
- Whistleblowing procedures and a contractual requirement for direct suppliers to our operational business to monitor compliance and report matters of concern
- A third-party governance, risk and compliance (GRC) software system
- A supplier governance and risk forum responsible for supply chain risk management and reviewing legislative and regulatory changes that may impact Zenith's business or supply chain (responsibilities for the forum include modern slavery).

Equality

Zenith is committed to promoting equality of opportunity. It is Group policy that there should be no discrimination, harassment or victimisation of any employee, job applicant, customer, service provider or member of the public because of a protected characteristic.

The policy has three main objectives:

- Encouraging employees to take an active role in combating all forms of unlawful discrimination, harassment and victimisation
- Deterring employees from participating in any such unlawful behaviour
- Demonstrating to employees that they can rely on the support of Zenith in cases of unlawful discrimination, harassment or victimisation at work.

Zenith is fully committed to providing a harmonious working environment that offers equal treatment and opportunity for all employees, where every employee is treated with appropriate dignity and respect.

Financial crime

Financial crime encompasses a range of behaviours which may cause harm to Zenith, its employees, customers, supply chain, investors and even to the wider financial markets.

Zenith is committed to conducting business with the highest degree of integrity, fairness and transparency, in full compliance with all applicable laws and regulations. Embedded controls are in operation throughout the business units, with oversight conducted by the Financial Crime Compliance Officer and the Group Anti-money Laundering Reporting Officer. Control adherence is assessed through first line quality assurance programmes and KPIs are included in monthly board packs.

Business continuity

The continued success of Zenith depends on its ability to deliver ongoing, high-quality services for stakeholders. The purpose of the business continuity management programme is to maintain robust plans and procedures that enable a fast and effective response in the event of any unforeseen disruption which threatens employees and/or continued operations. Zenith is committed to improving operational resilience through effective identification and treatment of risks which could result in or worsen a business continuity event.

Routine testing and review provides confidence that the system is both appropriate and effective. This combination of robust planning, resilience and testing was proven by our expeditious response to the COVID-19 pandemic, where colleagues transitioned to a remote working solution seamlessly, using embedded technology solutions. This was achieved in advance of government requirements and with no impact on customers or business operations.

Tax planning

Zenith places a premium on honesty in all its tax affairs, including its dealings with tax authorities and tax advisors. The business will meet every liability in accordance with relevant tax law. Long-term relationships with tax advisors enable the business to explore new products and services, and to ensure that an appropriate tax posture is adopted.

Tax advisors update the business on tax law as it evolves. Where the tax treatment or reporting requirements for specific items are changing, we always seek professional advice; the Senior Accounting Officer and Chief Financial Officer are involved in all these discussions. Zenith responds to requests and enquiries from tax authorities in an open, timely and professional manner. Where the tax treatment or reporting requirements of specific items are unclear, we also always seek professional advice.

Regulatory training

In addition to role-related training, new starters complete Group essential training within two weeks of joining. This includes subjects such as financial crime, data protection, information security, FCA, health and safety, and respect and equality. Existing colleagues receive annual refresher training, supplemented by ad hoc awareness campaigns.

To continually assess awareness of these topics, colleagues complete questionnaires delivered by our third-party platform, Cognito. Questions are sent to colleagues by email every day, and Cognito measures the responses and reports against KPIs. This tool also uses artificial intelligence to curate content, and challenge users to develop their understanding. All directors receive a report on team compliance.

GOVERNANCE AT A GLANCE CONTINUED

BOARD AND COMMITTEE STRUCTURE AND SCOPE

BOARD/COMMITTEE	SCOPE
Holding board HB	The holding board directs the affairs of the Group taking into consideration Zenith's various stakeholders and interests. It provides strategic governance and challenge as appropriate.
Leadership board LB	The leadership board is tasked with executing strategy and policy, whilst also dealing with operational matters. The board is attended by the applicable CEOs and Group directors across the Zenith divisions and functions.
Audit committee AC	The audit committee oversees: <ul style="list-style-type: none"> Overall financial reporting Related internal controls, risks, ethics and compliance Audit processes and independent auditors.
Remuneration committee RC	The remuneration committee: <ul style="list-style-type: none"> Sets remuneration policy Determines directors and senior managers total individual remuneration packages Sets targets for performance-related pay.
Corporate executive CorpE	The divisional executive committees are responsible for the review and oversight of matters associated with the performance of the Commercial, Consumer and Corporate divisions and the execution of Zenith's strategy at divisional level.
Commercial executive ComE	They discuss where appropriate: <ul style="list-style-type: none"> Any risk in need of escalation to the enterprise risk committee Matters for consideration by the leadership board
Consumer executive ConE	<ul style="list-style-type: none"> Key performance topics and management information that underpin the ongoing effectiveness of existing processes and behaviours within the channel, covering operational, commercial and regulatory (including customer outcomes) Division-specific matters such as operating licences, customer voice and budgeting/resource matters.
Enterprise risk committee ER	The enterprise risk committee is responsible for the review and oversight of matters associated with risk of harm to the Group and its customers including, where appropriate, the consideration of enterprise risks and any subsequent recommendation on behalf of the holding board. They are tasked with setting and validating the risk appetite. The committee also assess risks escalated from other committees, or an individual, where the performance of a risk is outside of risk appetite, or if a new risk emerges that needs to be formally acknowledged or considered.
Environmental, social and governance committee ESG	The environmental, social and governance (ESG) committee is responsible for the review and oversight of matters associated with the performance and risk management of ESG factors.
Diversity Committee DI	The Diversity Committee sets the vision and strategy for Diversity & Inclusion across the Zenith Group. It coordinates the activities undertaken by employees and Focus Groups, and supports communications and planning.

BOARD/COMMITTEE	SCOPE
Supplier governance and risk forum SG	The supplier governance and risk forum assists the business in identifying and managing all third-party risk through the timely and consistent completion of pre-contractual due diligence, in-life auditing and monitoring, and ongoing risk management.
Service, maintenance and repair committee SMR	The service, maintenance and repair (SMR) committee reviews and evaluates Zenith's service, maintenance and repair underwriting controls and benchmarks, to ensure that the Group is taking an appropriate level of risk in these areas across all channels.
Customer Outcomes Committee COC	This committee is responsible for reviewing management information to assess the extent to which customers are receiving great outcomes, identifying any risks to the delivery of great customer outcomes, ensuring there is a culture of getting it right first time, and assessing the impact of regulatory change on the delivery of great outcomes.
Residual value and pricing committees RVC PRC	The residual value committee (RVC) and pricing committee (PRC) reviews and evaluates Zenith's residual value controls and benchmarks to ensure that the Group is taking an appropriate level of associated risk across all channels. The committees are also responsible for the review and oversight of all customer pricing.
Credit Committee CC	The committee reviews and evaluates areas of credit risk that Zenith takes, mainly via customer credit that is funded via securitisation and back-to-back funding, in order to ensure that the Group is taking appropriate risks according to our risk appetite. The committee also takes decisions about how to mitigate such risks where appropriate. The committee is independent of the Corporate, Commercial and Consumer divisions.
Data protection and information security forum ISC	These forums combine our information risk owners, data guardians, the Data Protection Officer and the information security team to address any risks, and to monitor and mature our data protection and information security frameworks.
Health & safety committee - Commercial division H&S	The Commercial health and safety (H&S) committee's purpose is to provide, with the support of its H&S advisors, the strategic leadership and governance of H&S within the Commercial business. It agrees H&S policies, identifies improvement opportunities, agrees and prioritises the plan of action and ensures those with management responsibility are accountable for H&S. It has the authority to decide the best course of action, allocate resources, approve requests, delegate authority to accountable role holders, and make recommendations to the HGV executive and Zenith Group stakeholders and governance committees as appropriate.
Colleague forum CF	The colleague forum is attended by employees from all levels and across all areas of the business. They provide feedback and insight into our working environment, share best practice and input on policy or structure changes as necessary.
Green financing working group GF	The green financing working group is responsible for the evaluation and selection process of proceeds related to the Zenith's green financing. It screens eligibility criteria and recommends eligible expenditures for inclusion to the ESG committee.

GOVERNANCE REPORT

BOARD OF DIRECTORS

MEET OUR DIRECTORS – HOLDING BOARD

MEET OUR HOLDING BOARD



LORD STUART ROSE
Chairman

Stuart has over 40 years experience in the consumer and retail sectors, during which time he has served as chief executive at Argos plc, Booker plc, Arcadia Group plc and Marks & Spencer plc and Chairman of Ocado between 2012 and 2021. Alongside chairing Zenith, he is also chair of EG Group and Asda. He was knighted in 2008 for services to the retail industry and corporate social responsibility, and was appointed to the House of Lords in 2014.



TIM BUCHAN
Chief Executive Officer

Tim manages the Group's corporate strategy and culture, and is responsible for directing its proposition, leadership team, and new business growth. Following roles with multi-franchise dealerships, Avis Assistance, and LeasePlan, Tim started his career with Zenith as sales and marketing director in 2005, becoming Group Operations Director, and then CEO in 2010. Tim also sits on the committee of management for the British Vehicle and Rental Lease Association (BVRLA) which supports the overall interests of the UK leasing and rental sector.



MARK PHILLIPS
Chief Financial Officer

Mark has overall responsibility for the finance functions of the Group. He also leads the Group's risk management, treasury, and legal and compliance teams. Before joining Zenith in 1998, Mark was the group financial controller at Holliday Chemical Holdings plc and an audit manager with Andersen. Mark holds a BA (Hons) in economics from Newcastle University and is an ICAEW chartered accountant.



Company Secretary



EMMA WATFORD
Investor and Bridgepoint Director

Emma is a partner at Bridgepoint, co-head of Bridgepoint Europe investment activities in the UK, and co-chair of the Bridgepoint diversity and inclusion committee. She also sits on the board of Inspired Thinking Group and Hobbycraft. Emma is a member of the UK Takeover Panel and sits on the advisory council of Level 20, a not-for-profit organisation aligned around a common vision of improving gender diversity in the private equity industry. She holds a first class degree in chemistry from Oxford University and an MBA with distinction from Harvard Business School where she was a Fulbright Scholar.



GUY WELDON
Investor and Bridgepoint Director

Guy is group managing partner and head of investment activities at Bridgepoint. He is a member of the Bridgepoint executive committee and the investment advisory committee, chairman of Bridgepoint Credit and chairman of Bridgepoint in North America. Guy has worked extensively on private equity transactions across Europe, particularly in the consumer sector. He holds a degree in history from Durham University.



MANISHA PATEL
Assistant General Counsel and Group Secretary

Manisha joined Zenith in 2012. Prior to joining the Group Manisha completed her training at DLA Piper and then moved to Pinsent Masons on qualification. While at Pinsent Masons, Manisha was seconded to Speedy Hire plc and Synthomer plc. She earned her LLB in Law and German with honours from the University of Hull and completed the legal practice course at the University of Sheffield.



GOVERNANCE REPORT

THE LEADERSHIP BOARD

MEET OUR DIRECTORS – LEADERSHIP BOARD



IAN HUGHES
CEO – Corporate Division

Ian is responsible for the Group’s Corporate division, including in-life operations, accident management, customer services, new customer acquisition and existing relationship management along with the LCV proposition. He has worked with Zenith for over a decade, having joined as Commercial Director in 2010. Prior to Zenith, Ian has held a wide range of roles within Budget Rent-a-Car from 1991 to 1998, Honda from 1998 to 2005, and Citroën from 2005 to 2010.



MARTIN JENKINS
CEO – Commercial Division and Group Strategy Director

Martin is responsible for the Group’s Commercial division and for Group Strategy, including mergers and acquisitions. He joined Zenith after a 28-year career with Deloitte where he was a corporate finance partner for 17 years and latterly 8 years as practice senior partner for the Yorkshire and North East region. Whilst with Deloitte Martin focused on M&A and strategic advisory projects in the leasing and automotive services industry and worked as an advisor to Zenith for over 15 years before joining the business in January 2018. He holds a BA in human geography and economics from London University, Queen Mary College, and is a chartered accountant and fellow of the ICAEW.



JOHN TRACY
CEO – Consumer Division

John is responsible for setting the strategic direction for the Group’s Consumer division. Before joining Zenith in 2019, he was CEO of TD Direct Investing (Europe) from 2013 to 2017, and director of investment and pensions at Virgin Money from 2017 to 2019, among other roles. John holds a BBA in finance from Florida Atlantic University and an MBA in Finance from the University of Georgia.



ANDREW KIRBY
CEO – Rental Services

Andrew is responsible for the Group’s rental team. Prior to joining Zenith in 2013 he worked in the fleet industry at director level for over 15 years, in roles including sales and marketing, customer relationships, customer services and operations, employee schemes, strategic development, merger integrations and change management. He holds an MBA from the Cranfield School of Management and a Sloan Fellowship MSc from the London Business School.



IAN GIBSON
Chief Information Officer

“Ian devises and delivers the strategy for technology, systems and information services and also leads business change and transformation across the Group with specialism in acquisition separation and integration. Ian joined the Group in 2015, has over 20 years experience in the industry and has held various board level roles across technology, transformation, operations and finance in different sectors having had an earlier career as a management consultant and accountant. Ian is a management graduate of the University of Bradford and an ICAEW chartered accountant.



STUART PRICE
Chief People Officer

Stuart leads the people team and is responsible for delivering the people strategy, and creating a culture that attracts, develops and retains an engaged and high-performing workforce. He brings experience in leading mergers and acquisitions, organisational design and change, culture and performance improvement, and leadership development. Before joining Zenith in January 2021, he worked in the food, retail and healthcare sectors. Stuart attended the University of Southampton and holds a post-graduate certificate in business and executive coaching and psychology from Leeds Beckett University.



MEET OUR DIRECTORS – LEADERSHIP BOARD



JAMES EDWARDS
Group General Counsel

James leads the Group's legal team and company secretariat. As a member of the leadership board and other key working committees, he provides strategic direction from a legal and regulatory perspective. Before joining Zenith in 2016 he worked at HSBC (including a one-year secondment in the United States) and at the Kelda Group. He holds an LLB from the University of Hull and has completed a legal practice course at the York College of Law.



MARTIN HOLLAND
Deputy CFO

Martin manages all aspects of financial control, treasury and financing, financial planning and analysis. He has experience in mergers, acquisitions and debt financing. Martin joined Zenith in 2021 and previously held various roles and in investment banking at Rothschild and in the consumer products sector on behalf of private equity-backed businesses. He holds a BA in business economics from the University of Exeter and is a chartered accountant with the ICAEW.



ROBERT KINGDOM
Director of White Label Solutions

Robert is responsible for developing the Group's white label proposition. He works with financial services and vehicle manufacturer brands to provide full service leasing and fleet management solutions. Robert joined Zenith in 2015, having worked in the vehicle leasing and fleet management industry for most of his career.



DIRECTORS' REPORT

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

BUSINESS REVIEW

The directors present their Annual Report and audited financial statements for the year ended 31 March 2022.

The Group's operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill, intangibles and exceptional items is £74.8m (2021: £58.1m). This measure of profit (EBITDA) is an important KPI for the group.

The Group made a statutory operating profit of £18.3m (2021: £1.3m) and loss after tax for the period of £119.3m (2021: £98.8m), however this was after deducting non-cash items of £51.0m (2021: £50.5m) for amortisation of goodwill and intangibles, and preference share and loan note interest of £69.2m (2021: £62.9m).

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

Directors

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

Tim Buchan is Chief Executive Officer

Tim has been the CEO of Zenith since 2010. Tim manages the Group's corporate strategy and culture, and is responsible for directing its proposition, leadership team, and new business growth. Following roles with multi-franchise dealerships, Avis Assistance, and LeasePlan, Tim started his career with Zenith as sales and marketing director in 2005, becoming Group Operations Director, and then CEO in 2010. Tim also sits on the committee of management for the British Vehicle and Rental Lease Association (BVRLA) which supports the overall interests of the UK leasing and rental sector.

Mark Phillips is Chief Financial Officer

Mark has overall responsibility for the finance functions of the Group. He also leads the Group's risk management, treasury, and legal and compliance teams. Before joining Zenith in 1998, Mark was the group financial controller at Holliday Chemical Holdings plc and an audit manager with Andersen. Mark holds a BA (Hons) in economics from Newcastle University and is an ICAEW chartered accountant.

Lord Stuart Rose is Chairman

Stuart has over 40 years' experience in the consumer and retail sectors, during which time he has served as chief executive at Argos plc, Booker plc, Arcadia Group plc and Marks & Spencer plc. He was chairman of Marks & Spencer from 2008 to 2011 and chairman of Ocado from 2012 to 2021. Alongside chairing Zenith, he is also chair of EG Group and Asda. He was knighted in 2008 for services to the retail industry and corporate social responsibility, and was appointed to the House of Lords in 2014.

Emma Watford is Non-Executive Director

Emma is a partner at Bridgepoint, co-head of Bridgepoint Europe investment activities in the UK, and co-chair of the Bridgepoint diversity and inclusion committee. She also sits on the board of Inspired Thinking Group and Hobbycraft. Emma is a member of the UK Takeover Panel and sits on the advisory council of Level 20, a not-for-profit organisation aligned around a common vision of improving gender diversity in the private equity industry. She holds a first class degree in chemistry from Oxford University and an MBA with distinction from Harvard Business School where she was a Fulbright Scholar.

Guy Weldon is Non-Executive Director

Guy is group managing partner and head of investment activities at Bridgepoint. He is a member of the Bridgepoint executive committee and the investment advisory committee, chairman of Bridgepoint Credit and chairman of Bridgepoint in North America. Guy has worked extensively on private equity transactions across Europe, particularly in the consumer sector. He holds a degree in history from Durham University.

Manisha Patel is Company Secretary

Directors remuneration under incentive schemes

None of the directors received remuneration under long-term incentive schemes during the current or previous year. No directors exercised any share options and no shares were received in respect of a long-term incentive scheme during the current or previous year.

GOVERNANCE REPORT

DIRECTORS' REPORT CONTINUED**Registered Office**

The Company's registered office is:
Number One
Great Exhibition Way
Kirkstall Forge
Leeds
England
LS5 3BF

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

The directors present their Annual Report on the affairs of the Group, together with the audited financial statements and auditor's report, for the year ended 31 March 2022.

Directors indemnities

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

Results and dividends

No dividends were paid in the year (2021: £nil) and no dividends have been declared during the year or post year end. For discussion on the Group financial performance for the year please refer to the Strategic Report.

Principal risks and uncertainties

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

Future developments

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

Going concern

The Group has considerable financial resources, a broad customer base across different business sectors and diversified income streams. Therefore, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook, high and potentially persistent rates of inflation and challenging conditions in the automotive supply chain.

The directors of the Group have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Group's ability to continue as a going concern for the foreseeable future. In forming this view, the directors have considered: the Group's financial position, the Group's budgets and trading forecasts (including stress-testing these forecasts based on the principal risks facing the Group); and the committed debt facilities available to the Group together with forecast headroom against those borrowing facilities (including against covenants), and including the impact of reasonable sensitivities and foreseen uncertainties. This includes the impact of the extended securitisation facilities (refinanced in August 2021 for a minimum of three years, to aggregate facilities of £725 million) and the senior secured notes and revolving credit facilities (arranged in January 2022, repayable in mid-2027, in the amount of £475 million and £65 million respectively).

Due to the nature of the Group's business model, which mainly relates to leases of between three to five years to large corporate customers, the degree of visibility over our future earnings is high. As a result, we believe our success during the COVID-19 pandemic is a direct result of our robust strategy to diversify our group. We further believe that Zenith is well positioned to navigate any further periods of disruption caused by the COVID-19 pandemic, the current macroeconomic environment and the challenges posed by current constraints in the automotive supply chain.

More details of our strategy and these risks are included in the Strategic Report of the consolidated accounts of the Group.

The directors continue to closely monitor the potential impacts of any further disruption caused by COVID-19, macroeconomic factors and the current constraints in the automotive supply chain. We have not identified any material adjustments to balances included in these financial statements.

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

Post balance sheet events

There are no post balance sheet events of note.

Charitable and political contributions

During the year the Group made charitable donations of £15,671 (2021: £28,857), principally to local charities serving the communities in which the Group operates. The Group made no political contributions in the year (2021: £nil).

Employees and training

Much of the Group's success can be attributed to its policy of progressive training and development of employees. The growing expertise and confidence of its employees has enabled the Group to deliver sophisticated products to its customer base in a very professional manner. The directors are thankful to all employees for the way in which they continually meet the demands made of them.

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

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation and engagement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception and is open to all employees who have served a pre-defined time requirement with the Company. In addition, all eligible employees may receive an annual bonus related to the overall profitability of the Group. Further information can be found in the Strategic Report.

Energy use and carbon emissions

Energy use and carbon emissions disclosures for the financial year ended 31 March 2022 are included in the Strategic Report. The table below includes our mandatory reporting of greenhouse gas (GHG) emissions based on the energy and carbon reporting framework. This is based on the Group's GHG emissions for the year 1 April 2021 to 31 March 2022, covering both our office sites and business mileage travelled by our employees. For the year ended 31 March 2022, this includes the GHG emissions from the subsidiaries Contract Vehicle Fleet Services Limited and Contract Vehicle Rentals Limited, which were excluded from the comparative figures for the year ended 31 March 2021, because the businesses were acquired mid-year in the previous financial year.

Our methodology used to calculate our emissions is based on the 'Environmental Reporting Guidelines: including mandatory GHG emissions reporting guidance' issued by the Department for Business, Energy & Industrial Strategy (BEIS) and Department for Environment, Food & Rural Affairs (DEFRA). Emissions from purchased electricity includes emissions from business mileage travelled in electric vehicles. The increase in carbon emissions during the year is largely a result of: first, increased energy usage in our offices and increased business travel, as the COVID-19 lockdowns and similar restrictions were removed during the year; and, second, the inclusion of a full year of the emissions of our Contract Vehicle Fleet Services Limited and Contract Vehicle Rentals Limited businesses, which includes the impact of the offices, depots and workshops, which are more carbon-intensive operations.

	Year ended 31 March 2022	Year ended 31 March 2021
Greenhouse gas emissions		
Scope 1 emissions (tonnes CO ₂ e)	3,220	355
Scope 2 emissions (tonnes CO ₂ e)	1,115	184
Scope 3 emissions (tonnes CO ₂ e)	341	507
Total greenhouse gas emissions (tonnes CO ₂ e)	4,676	1,046
SECR – Scope 1 and 2 GHG emissions and Scope 3 business travel (tonnes CO ₂ e)	4,462	579
SECR – Scope 1 and 2 energy consumption and Scope 3 business car travel (kWh)	8,481,793	2,376,657

GOVERNANCE REPORT

DIRECTORS' REPORT CONTINUED**Statement on business relationships**

The business relationships of the Company are discussed in the S172(l) section of the Strategic Report.

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:


M T Phillips

Director

25 August 2022

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.

FINANCIAL STATEMENTS

SECTION 3

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZENITH AUTOMOTIVE HOLDINGS LIMITED**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

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

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

- Impairment of goodwill and intangible assets – the procedures performed were an evaluation of relevant key controls; assessment of the appropriateness and consistency of the identification of CGUs; use of valuation specialists to assess the reasonableness of discount rates; sensitivity analysis to identify key assumptions used in the calculation; challenging management's forecasts for future periods through our understanding of the business and economic environment; and testing the accuracy of the impairment model used by management.
- Revenue recognition: residual values – the procedures performed were evaluation of relevant key controls; review of market data for a sample of vehicles to test the accuracy of the base residual values used; assessment of historical accuracy of residual values by reviewing subsequent sale values; and review of market data in relation to the current economic environment and considering how that impacts residual values.
- Accuracy of the maintenance provision – the procedures performed were evaluation of relevant key controls; reperformance of management's maintenance provision calculation; test of accuracy and completeness of underlying data; and consideration of the current economic environment in the analysis of the budgeted maintenance costs.

FINANCIAL STATEMENTS

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZENITH
AUTOMOTIVE HOLDINGS LIMITED CONTINUED****Extent to which the audit was considered capable of detecting irregularities, including fraud** continued

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

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

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

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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


Matthew Bainbridge FCA

(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

25 August 2022

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Turnover	3	589,058	491,123
Cost of sales		(452,876)	(387,908)
Gross profit		136,182	103,215
Operating expenses		(117,843)	(101,875)
Operating profit before depreciation of owned tangible fixed assets, amortisation of goodwill and intangible assets and exceptional items		74,765	58,075
Depreciation of owned tangible fixed assets	4	(5,364)	(5,909)
Amortisation of goodwill	4	(24,360)	(24,102)
Amortisation of intangible assets	4	(26,639)	(26,365)
Operating exceptional items	6	(63)	(359)
Operating profit	4	18,339	1,340
Finance costs (net)	5	(118,763)	(104,561)
Loss before taxation		(100,424)	(103,221)
Tax (charge)/credit on loss	9	(18,858)	4,376
Loss for the financial year attributable to the shareholders of the Group		(119,282)	(98,845)

All results derive from continuing operations.

The accompanying notes 1 to 26 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Loss for the financial period		(119,282)	(98,845)
Hedge gains arising during period (net of tax impact)	23	10,415	1,194
Reassessment of goodwill on acquisition	11	(17)	-
Total comprehensive expense attributable to the shareholders of the Group		(108,884)	(97,651)

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Fixed assets			
Goodwill	10	367,201	390,889
Intangible assets	11	363,380	383,200
Tangible assets	12	726,127	595,233
		1,456,708	1,369,322
Current assets			
Inventory	14	1,058	984
Debtors			
– due within one year	15	135,207	125,379
– due after one year	15	75,113	65,618
Cash at bank and in hand		60,168	19,213
		271,546	211,194
Creditors: Amounts falling due within one year	16	(406,426)	(469,451)
Net current (liabilities)		(134,880)	(258,257)
Total assets less current liabilities		1,321,828	1,111,065
Creditors: Amounts falling due after more than one year	17	(1,423,503)	(1,125,413)
Provisions for liabilities	18	(108,828)	(87,271)
Net liabilities		(210,503)	(101,619)
Capital and reserves			
Called up share capital	19	271,546	271,546
Share premium account		2,444	2,444
Hedging reserve		7,600	(2,815)
Profit and loss account		(492,093)	(372,794)
Shareholders' deficit		(210,503)	(101,619)

The accompanying notes 1 to 26 are an integral part of these financial statements.

The financial statements of Zenith Automotive Holdings Limited (registered number 10574333) were approved by the board of directors and authorised for issue on 25 August 2022.



M T Phillips
Director

COMPANY BALANCE SHEET
AS AT 31 MARCH 2022

	Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Fixed assets			
Investments	13	32,508	32,508
Current assets			
Debtors – due within one year	15	344,733	324,087
Cash at bank and in hand		4,020	20
Creditors: Amounts falling due within one year	16	(8,101)	(3,855)
Net current assets		340,652	320,252
Total assets less current liabilities		373,160	352,760
Creditors: Amounts falling due after more than one year	17	(166,724)	(126,883)
Net assets		206,436	225,877
Capital and reserves			
Called up share capital	19	271,546	271,546
Share premium account		2,444	2,444
Profit and loss account		(67,554)	(48,113)
Shareholders' funds		206,436	225,877

The accompanying notes 1 to 26 are an integral part of these financial statements.

The loss for the year ended 31 March 2022 was £19,441,000 (2021: £16,125,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

The financial statements of Zenith Automotive Holdings Limited (registered number 10574333) were approved by the board of directors and authorised for issue on 25 August 2022.



M T Phillips
Director

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 1 April 2020	271,546	2,444	(273,949)	(4,009)	(3,968)
Issue of share capital					
Loss for the financial period	-	-	(98,845)	-	(98,845)
Hedges of variable interest rate risk (note 22)	-	-	-	1,474	1,474
Deferred tax credit	-	-	-	(280)	(280)
Total comprehensive expense	-	-	(98,845)	1,194	(97,651)
At 31 March 2021	271,546	2,444	(372,794)	(2,815)	(101,619)
Loss for the financial period	-	-	(119,282)	-	(119,282)
Hedges of variable interest rate risk (note 22)	-	-	-	13,608	13,608
Deferred tax charge (note 18)	-	-	-	(3,193)	(3,193)
Reassessment of goodwill on acquisition*	-	-	(17)	-	-
Total comprehensive expense	-	-	(119,299)	10,415	(108,884)
At 31 March 2022	271,546	2,444	(492,093)	7,600	(210,503)

* The assets and liabilities acquired during the period ended 31 March 2021 were fair-valued on a provisional basis. The exercise to complete an assessment, and form a final judgement, on the maintenance provision, in particular, continued in this financial year, as the Company gathered more data about the nature and condition of the fleet. The fair values have been adjusted accordingly during the year.

The accompanying notes 1 to 26 are an integral part of these financial statements.

Hedging reserve:

Movements in the hedging reserve reflect the change in the fair value of derivative financial instruments designated into hedge accounting relationships in accordance with IFRS 9. The derivatives are originally recognised on the balance sheet at fair value, with fair value gains or losses relating to future periods being recognised in other comprehensive income and therefore outside of the profit and loss account. These will subsequently be released to the profit and loss account in the period the forecasted cashflow it is hedging occurs.

COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2020	271,546	2,444	(31,988)	242,002
Loss for the financial period and total comprehensive expense	-	-	(16,125)	(16,125)
At 31 March 2021	271,546	2,444	(48,113)	225,877
Loss for the financial period and total comprehensive expense	-	-	(19,441)	(19,441)
At 31 March 2022	271,546	2,444	(67,554)	206,436

The accompanying notes 1 to 26 are an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Operating profit		18,339	1,340
Adjustment for:			
Depreciation charges	4, 12	123,206	109,844
Amortisation of goodwill and intangibles	10, 11	51,003	50,467
Profit on sale of tangible fixed assets		(27,438)	7,760
Operating cash flow before movement in working capital		165,110	169,411
Capital repayment received from finance lessees		13,168	11,402
Increase/(decrease) in debtors		9,153	(20,365)
Increase in stock		(74)	(155)
Increase/(decrease) in creditors		(12,840)	34,451
Increase in provisions		665	2,114
Net cash inflow from operating activities		175,182	196,858
Income tax paid		(1,155)	(2,301)
Cash flows from investing activities			
Proceeds from sale of operating lease assets		209,774	124,132
Purchase of operating lease assets		(119,186)	(37,034)
Purchase of operating lease assets (funded)		(342,867)	(323,774)
Purchase of intangible assets		(669)	(1,369)
Acquisitions		-	(10,490)
Net cash flows from investing activities		(252,948)	(248,535)
Cash flows from financing activities			
Repayments of borrowings		(651,647)	(289,073)
Drawdown of funding		342,867	323,774
Interest paid		(46,344)	(35,078)
Senior secured notes raised		475,000	-
Net cash flows from financing activities		119,876	(377)
Net increase/(decrease) in cash and cash equivalents		40,955	(54,355)
Cash and cash equivalents at start of the year		19,213	73,568
Cash and cash equivalents at 31 March		60,168	19,213

Cash and cash equivalents include amounts in respect of Exhibition Finance plc (formerly Bifurcate Funding Limited) and Vehicle Titleco Limited of a total of £9,283,000 (2021: £6,832,000) that are not freely available for use by the Group.

The accompanying notes 1 to 26 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. ACCOUNTING POLICIES

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

a. General information and basis of accounting

Zenith Automotive Holdings Limited is a private company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office is given on page 110. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has adopted IFRS 9 for classification and measurement of financial instruments and hedge accounting.

The Group has chosen to early adopt the Interest Benchmark Reform (amendments to IFRS 9) which was issued by the International Accounting Standards Board in September 2019 and is mandatorily effective from periods starting 1 January 2020. These amendments have modified certain hedge accounting requirements to allow continued designation for affected hedge relationships during the period of uncertainty as benchmark interest rates are amended or replaced. The Group was exposed to LIBOR interest rate benchmarks (in the comparative period and until the refinancing of the securitisation in August 2021, and the refinancing of the previous senior term debt in January 2022) within its hedge accounting relationships, which fall within these amendments and therefore these items continue to be designated in the hedge relationship.

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

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

Zenith Automotive Holdings Limited has taken advantage of the company only disclosure exemptions available under FRS 102 in relation to presentation of a cash flow statement, remuneration of key management personnel and related party transactions, and sections 11 and 12 relating to basic financial instruments and other financial instruments.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company, its subsidiary undertakings and other structured entities that are controlled by the Company or its subsidiaries, and are drawn up to 31 March each year. Control is achieved over subsidiaries and structured entities when the Company or a subsidiary: has power over an entity; is exposed, or has rights, to variable returns from its involvement with the entity; and can use its power to affect returns. If facts or circumstances indicate that there are changes to one or more of the three elements of control, the Company reassesses whether it still controls the entity. The Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying assets through its continued subordinated investment in the securitisation structures. Where the Group does not retain a direct ownership interest in a securitisation entity, but it has been determined based on the above criteria that the Group controls these entities, they are treated as though subsidiaries and included in the basis of consolidation.

As of the date of these financial statements, our basis of consolidation include our wholly-owned subsidiary undertakings, listed in note 13, and three special purpose vehicles ("Receivables SPVs") created as part of our securitisations. The three Receivables SPVs are (i) Exhibition Finance PLC, related to our non-bifurcated securitisation; (ii) Forge Funding Limited, related to our bifurcated securitisation, and (iii) Vehicle Titleco Limited, which owns title to vehicles in respect of our non-bifurcated securitisations. We consolidate these entities in our financial statements because we are able to exercise control over the operations of the Receivables SPVs.

The results of subsidiaries acquired or sold, and structured entities formed or ceased, are consolidated for the periods from or to the date on which control passed.

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

c. Going concern

The Group has considerable financial resources, a broad customer base across different business sectors and diversified income streams. Therefore, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook, high and potentially persistent rates of inflation and challenging conditions in the automotive supply chain.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

1. ACCOUNTING POLICIES CONTINUED

The directors of the Group have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Group's ability to continue as a going concern for the foreseeable future. In forming this view, the directors have considered: the Group's financial position, the Group's budgets and trading forecasts (including stress-testing these forecasts based on the principal risks facing the Group); and the committed debt facilities available to the Group together with forecast headroom against those borrowing facilities (including against covenants), and including the impact of reasonable sensitivities and foreseen uncertainties. This includes the impact of the extended securitisation facilities (refinanced in August 2021 for a minimum of three years, to aggregate facilities of £725 million) and the senior secured notes and revolving credit facilities (arranged in January 2022, repayable in mid-2027, in the amount of £475 million and £65 million respectively).

Due to the nature of the Group's business model, which mainly relates to leases of between three to five years to large corporate customers, the degree of visibility over our future earnings is high. As a result, we believe our success during the Covid-19 pandemic is a direct result of our robust strategy to diversify our group. We further believe that Zenith is well positioned to navigate any further periods of disruption caused by the Covid-19 pandemic, the current macroeconomic environment and the challenges posed by current constraints in the automotive supply chain.

More details of our strategy and these risks are included in the Strategic Report of the consolidated accounts of the group.

The directors continue to closely monitor the potential impacts of any further disruption caused by Covid-19, macroeconomic factors and the current constraints in the automotive supply chain. We have not identified any material adjustments to balances included in these financial statements.

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

d. Vehicle leases

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

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

Lease rentals under finance leases and hire purchase contracts is split between repayments of capital and interest, with interest calculated using an effective interest rate methodology. Rental income under contract hire operating leases is recognised on a straight-line basis over the period of the contract. Finance income and finance charges on securitised funding are accounted for on an effective interest rate basis.

Provision is made, over the remaining lease term or immediately on loss making contracts, for any anticipated shortfall between the resale prices of vehicles at the end of their contracts and residual values set against the vehicles when writing contracts with customers on a portfolio basis in line with the IFRS 9 impairment policy below.

e. Turnover

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

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

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

f. Employee benefits

The Group participates in a defined contribution scheme. The amounts charged to the profit and loss account in respect of pension costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

g. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value over the useful life or period of lease. Assets leased to customers on operating leases are depreciated over the period on a straight-line basis. These assets are held for lease terms which represent a significant portion of the useful economic life of the asset. Further, at any point in time during the lease, the net present value of cash inflows (including if appropriate the payment by customers of early termination penalties), together with the estimated net realisable value of the asset at the end of the lease, are not less than the carrying value of the asset.

Depreciation is provided on other assets as follows:

Leasehold improvements	Over the term of the lease – straight-line
Equipment, fixtures and fittings	10% to 25% per annum – reducing balance
Vehicles leased to customers	Over the term of the lease – straight-line

h. Agency agreements

Agency agreements are accounted for in line with the substance of the agreement. Where the principal risks and rewards are attributable to the Company, the gross revenues and costs are recognised over the period of the contract. Gross receivables and payables from the ultimate customer and to the principal supplier are not recognised in the balance sheet as the Company has no access to the risks and rewards of these items. The committed cost of vehicles subject to repurchase agreements are recognised in debtors and creditors in line with their buyback commitments. Provision is made for any residual value exposure on a portfolio basis.

i. Provision for maintenance costs

Provision is made for obligations under maintenance contracts so as to provide a rate of return on maintenance contract revenue that is consistent with present expectations of future obligations. The amount recognised as a provision is the best estimate of consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

j. Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its useful economic life, which is 20 years.

k. Intangible assets – customer relationships

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

l. Intangible assets – computer software

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

m. Intangible assets – impairment

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

n. Financial instruments

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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2022**1. ACCOUNTING POLICIES CONTINUED**

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

Financial assets**Classification of financial asset**

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

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

Amortised cost and effective interest method

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

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

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

Interest income is recognised in the profit or loss and is included in the "Finance Costs" line item.

Impairment of financial assets

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

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

Write off policy

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, a provision of 100% is made, or in the case of trade receivables, when the amounts are over 90 days a provision is made for 30% of the balance, unless it is already 100% provided for. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

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

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

Financial liabilities and equity**Classification as debt or equity**

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

Equity instruments

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

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of the financial liability.

Hedge accounting

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

o. Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. There are no expiry dates connected to timing differences, unused tax losses and unused tax credits that would alter the value of such deferred tax assets.

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

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

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

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

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

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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2022**1. ACCOUNTING POLICIES CONTINUED****p. Loss attributable to the Company**

The loss for the year ended 31 March 2022 dealt with in the financial statements of the parent Company was £19,441,000 (2021: £16,125,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

q. Exceptional items

Exceptional items are those costs or income that do not relate to the Group's normal business operations and which in management's judgement are considered material individually or in aggregate (if of a similar type) due to their size or frequency or incidence. Separate disclosure enables a better understanding of the Group's financial performance.

r. Finance costs

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

s. Business combinations

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

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

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

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

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

t. Inventories

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Credit loss provisioning

The Group considers the determination criteria for significant increase or decrease in credit risk to be a key judgement within expected credit losses that may have a significant risk of causing material adjustment. However, given the particularly low level of credit losses experienced by the Group over many years, the Group does not expect any credit losses on receivables. The credit underwriting process on corporate customers is robust, and the Group focuses on the prime credit segment of the corporate market. Similarly, the Group focuses on the prime and super-prime segment of consumer creditworthiness in the personal contract hire market. In addition, the asset-backing of the receivables in question (by a hard asset, a vehicle) reduces any loss given a default. In assessing whether the credit risk of an asset has significantly increased or decreased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key source of estimation uncertainty**Residual values**

When pricing a lease, the estimate of what a vehicle will be worth at the end of the lease is called the residual value. The Group reviews the residual values of its leased assets on an ongoing basis with reference to independent market data and prevailing economic conditions. We use sophisticated technology and risk management techniques to manage residual value and maintenance risk and our risk positions and exposures are constantly reassessed and adjusted accordingly. As such, residual values held in the financial statements of this Group are believed to be redeemable and free from impairment. The book value of residual values included in vehicles leased to customers, within tangible fixed assets, at 31 March 2022 amounts to £454,681,000 (2021: £357,667,000).

Maintenance provision

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

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

The provision at 31 March 2022 amounts to £20,406,000 (2021: £18,851,000).

Impairment of goodwill and intangible assets

The Group regularly reviews for new indicators of impairment, where none are found no impairment testing is undertaken; where such indicators are found the Group undertakes an estimation of the value in use of the cash-generating units to which goodwill and acquired intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. This includes an assessment of Covid-19 and an estimate of reasonably possible sensitivities in reaching the conclusions of the review. The carrying amount of goodwill at the balance sheet date was £367,201,000 (2021: £390,889,000). No impairment loss was recognised during the year ended 31 March 2022 (2021: £nil). The carrying amount of acquired intangible assets at the balance sheet date was £349,448,000 (2021: £372,744,000). No impairment loss was recognised during the year ended 31 March 2022 (2021: £nil).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

3. TURNOVER

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
An analysis of the Group's turnover by class of business is set out below:		
Long-term leases	348,631	308,313
Vehicle sales	150,829	126,254
Other*	89,598	56,556
	589,058	491,123

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

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

4. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Depreciation of tangible fixed assets (note 12)		
Owned	4,042	4,505
Company cars	1,322	1,404
Held under finance leases and hire purchase contracts	117,842	103,835
Operating lease rentals	1,769	1,769
Impairment of trade debtors	359	274
Amortisation of goodwill (note 10)	24,360	24,102
Amortisation of intangibles (note 11)	26,643	26,365
Operating exceptional items (note 6)	63	359

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fees payable to the Company's auditor and its associates for:		
- the audit of the Company's annual accounts	126	26
- the audit of the Company's subsidiaries	314	252
Total audit fees	440	278
Taxation compliance services	55	84
Other taxation advisory services	38	89
Corporate finance fees	1,742	620
Total non-audit fees	1,835	793
Total Fees	2,275	1,071

5. FINANCE COSTS (NET)

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Bank loans, loan notes, preference shares and overdrafts	118,763	104,561
Finance costs (net)	118,763	104,561

6. EXCEPTIONAL ITEMS

The Group incurred the following exceptional items:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Acquisition integration costs*	63	590
Onerous lease and exit costs**	-	(231)
Total exceptional items	63	359

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

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

In respect of all exceptional costs, the cash payment was equivalent to the cost charged in the profit and loss account, and the tax effect was a deduction at the prevailing headline rate of corporation tax, save that the exceptional income for onerous lease and exit costs in the year ended 31 March 2021 was a non-cash item, since it was a reversal of a previous provision made in an earlier year.

7. STAFF COSTS

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

	Year ended 31 March 2022 Number	Year ended 31 March 2021 Number
Office, sales and management staff	1,076	966

Their aggregate remuneration comprised:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Wages and salaries	36,224	31,611
Social security costs	4,209	3,218
Other pension costs (see note 21)	1,579	1,364
	42,012	36,193

There are no employees in Zenith Automotive Holdings Limited company.

8. DIRECTORS' REMUNERATION AND TRANSACTIONS

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Directors' remuneration		
Emoluments	1,132	974
	1,132	974
	Number	Number

The number of directors who:

Are members of a money purchase pension scheme	-	-
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None of the directors received remuneration under long-term incentive schemes during the current or previous year. No directors exercised any share options and no shares were received in respect of a long-term incentive scheme during the current or previous year.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Remuneration of the highest paid director:		
Emoluments	587	461

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

9. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge/(credit) comprises:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax on loss		
UK corporation tax	1,557	2,633
Adjustment in respect of previous periods	491	(379)
Total current tax	2,048	2,254
Deferred tax		
Origination and reversal of timing differences	(2,731)	(5,504)
Adjustment in respect of previous periods	(3)	(1,126)
Effect of changes in tax rates*	19,544	-
Total deferred tax	16,810	(6,630)
Total tax charge/(credit) on loss	18,858	(4,376)
Other comprehensive expense items:		
Deferred tax current period charge	3,193	280
	3,193	280

The standard rate of tax applied to reported loss is 19% (2021: 19%).

* Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated assessable profit for the year. The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023 and this was substantively enacted in May 2021. As a result deferred tax balances as at 31 March 2022 have been measured at 25%.

Factors affecting total tax charge/(credit) for the period

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Loss before tax	(100,424)	(103,221)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(19,080)	(19,612)
Effects of:		
- Expenses not deductible for tax purposes	17,906	16,740
- Adjustment in respect of previous periods	488	(1,504)
- Tax rate changes	19,544	-
Total tax charge/(credit)	18,858	(4,376)

10. GOODWILL

Group	£'000
Cost	
At 31 March 2021	486,622
Reassessment of goodwill on acquisition*	690
Disposal	(1)
At 31 March 2022	487,311
Accumulated amortisation	
At 31 March 2021	95,733
Charge for the year	24,360
Reassessment of goodwill on acquisition*	17
At 31 March 2022	120,110
Net book value	
At 31 March 2022	367,201
At 31 March 2021	390,889

* The assets and liabilities acquired during the period ended 31 March 2021 were fair-valued on a provisional basis. The exercise to complete an assessment, and form a final judgement, on the maintenance provision, in particular, continued in this financial year, as the Company gathered more data about the nature and condition of the fleet. The fair values have been adjusted accordingly during the year.

Company:

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

11. INTANGIBLE ASSETS

Group	Customer intangibles £'000	Computer software £'000	Total £'000
Cost			
At 31 March 2021	465,931	16,727	482,658
Additions in the year	-	6,822	6,822
At 31 March 2022	465,931	23,549	489,480
Accumulated amortisation			
At 31 March 2021	93,187	6,271	99,458
Charge for the year	23,297	3,346	26,643
At 31 March 2022	116,483	9,617	126,100
Net book value			
At 31 March 2022	349,448	13,932	363,380
At 31 March 2021	372,744	10,456	383,200

Amortisation of intangible assets is charged as an operating expense.

Company:

As at 31 March 2022 the Company only financial statements contain intangible assets of £nil (2021: £nil).

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FOR THE YEAR ENDED 31 MARCH 2022

12. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Equipment, fixtures and fittings £'000	Vehicles leased to customers £'000	Total £'000
Cost				
At 31 March 2021	1,745	28,926	607,487	638,158
Reassessment of acquired assets*	-	-	200	200
Additions	-	2,486	433,750	436,236
Disposals	-	(1,476)	(293,392)	(294,868)
At 31 March 2022	1,745	29,936	748,045	779,726
Accumulated depreciation				
At 31 March 2021	-	14,000	28,925	42,925
Charge for the year	35	4,064	119,107	123,206
Disposals	-	(2,088)	(110,444)	(112,532)
At 31 March 2022	35	15,976	37,588	53,599
Net book value				
At 31 March 2022	1,710	13,960	710,457	726,127
Net book value				
At 31 March 2021	1,745	14,926	578,562	595,233

* The assets and liabilities acquired during the period ended 31 March 2021 were fair-valued on a provisional basis. The exercise to complete an assessment, and form a final judgement, on the maintenance provision, in particular, continued in this financial year, as the Company gathered more data about the nature and condition of the fleet. The fair values have been adjusted accordingly during the year.

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

Tangible fixed assets of the Group include vehicles leased to customers under finance leases, hire purchase contracts and under the securitisation agreements. All such assets are pledged as security in relation to those borrowings.

Land and buildings are held on a freehold basis.

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Within one year	158,459	116,631
Between one and five years	195,803	147,852
	354,262	264,483

No contingent rentals have been included as income.

Company:

As at 31 March 2022 the Company only financial statements contain tangible fixed assets of £nil (2021: £nil).

13. FIXED ASSET INVESTMENTS

Company subsidiary undertakings:

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Cost and net book value	32,508	32,508

At 31 March 2022 the Company held, directly and indirectly, 100% of the allotted ordinary share capital of the following (*the shares in the undertakings marked with an asterisk are held indirectly by subsidiary undertakings):

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

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

** This subsidiary was incorporated in the year ended 31 March 2022 with ordinary share capital of £50,000.

14. INVENTORIES

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Raw materials and consumables	1,058	984
	1,058	984

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

The amount of inventories recognised as an expense during the period is £5,769,000 (2021: £2,760,000).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

15. DEBTORS

	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000
Amounts falling due within one year:				
Trade debtors	49,129	-	56,527	-
Amounts receivable under finance leases	-	-	-	-
Amounts receivable under hire purchase contracts	4,308	-	6,386	-
Amounts receivable under securitised contracts	14,406	-	12,358	-
Vehicles subject to repurchase agreements	7,352	-	11,355	-
Amounts owed by Group undertakings	-	342,521	-	321,731
Other debtors	18,011	42	15,784	41
Corporation tax	1,803	-	2,696	-
Fair value of hedging instruments	10,133	-	-	-
Prepayments and accrued income	21,176	2,170	20,273	2,315
VAT	8,889	-	-	-
	135,207	344,733	125,379	324,087
Amounts falling due after more than one year:				
Amounts receivable under hire purchase contracts	14,251	-	12,807	-
Amounts receivable under securitised contracts	28,420	-	24,699	-
Vehicles subject to repurchase agreements	29,564	-	25,306	-
Amounts owed by Group undertakings	-	-	-	-
Prepayments and accrued income	2,878	-	2,806	-
	75,113	-	65,618	-
	210,320	344,733	190,997	324,087

All the Group's trade debtors have been reviewed for impairment and where necessary a provision for impairment provided. The value of the impairment charged to the income statement is £359,000 (2021: £274,000) and the provision carried in the balance sheet is £252,000 (2021: £285,000).

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

16. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000
Obligations under finance leases and hire purchase contracts	55,862	-	41,579	-
Obligations under securitised contracts	231,704	-	304,887	-
Vehicles subject to repurchase agreements	7,352	-	11,355	-
Trade creditors	43,473	-	50,860	-
VAT	-	-	9,434	-
Other taxation and social security	2,531	-	1,267	-
Withholding tax	-	-	412	-
Other creditors	21,375	-	18,462	-
Fair value of hedging instruments	-	-	3,475	-
Accruals and deferred income	44,129	-	27,720	-
Amounts owed to other Group undertakings	-	8,101	-	3,855
	406,426	8,101	469,451	3,855

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

There are no related party relationships in respect of the Company's liabilities. The Group's related party transactions and relationships are described in note 24.

17. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000
Bank loans	-	-	444,219	-
Senior secured notes	464,923	-	22,728	-
Obligations under finance leases and hire purchase contracts	18,918	-	22,728	-
Obligations under securitised contracts	435,334	-	227,343	-
Vehicles subject to repurchase agreements	29,564	-	25,306	-
Loan notes	308,040	-	278,934	-
Accruals and deferred income	166,724	166,724	126,883	126,883
	1,423,503	166,724	1,125,413	126,883

There are no related party relationships in respect of the Company's liabilities. The Group's related party transactions and relationships are described in note 24.

The senior secured notes, issued in January 2022, carry a coupon of 6.50% per annum, paid semi-annually in June and December, and no repayment obligations before maturity in June 2027.

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

	Group As at 31 March 2022 £'000	Company As at 31 March 2022 £'000	Group As at 31 March 2021 £'000	Company As at 31 March 2021 £'000
Obligations under finance leases and hire purchase contracts				
Within two to five years	18,918	-	22,728	-
On demand or within one year	55,862	-	41,579	-
	74,780	-	64,307	-
Obligations under securitised contracts				
Within two to five years	435,334	-	227,343	-
On demand or within one year	231,704	-	304,887	-
	667,038	-	532,230	-

18. PROVISIONS FOR LIABILITIES

	Deferred taxation £'000	Maintenance costs £'000	Total £'000
Group			
At 31 March 2021	68,420	18,851	87,271
Released to profit and loss account	(2,732)	-	(2,732)
Charged to profit and loss account	-	43,397	43,397
Tax rate change	19,544	-	19,544
Charged to other comprehensive expense*	3,193	-	3,193
Adjustment in respect of prior years	(3)	-	(3)
Reassessment of provision on acquisition**	-	890	890
Utilisation of provision	-	(42,732)	(42,732)
At 31 March 2022	88,422	20,406	108,828

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

** The assets and liabilities acquired during the period ended 31 March 2021 were fair-valued on a provisional basis. The exercise to complete an assessment, and form a final judgement, on the maintenance provision, in particular, continued in this financial year, as the Company gathered more data about the nature and condition of the fleet. The fair values have been adjusted accordingly during the year.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

18. PROVISIONS FOR LIABILITIES CONTINUED

Maintenance costs

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

Deferred tax

Deferred tax is provided as follows:

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Accelerated capital allowances	48	(1,672)
Short-term timing differences	2,411	(730)
Non-trading timing differences	85,963	70,822
Provision for deferred tax	88,422	68,420

Non-trading timing differences:

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

The amount of deferred tax assets not recognised as at 31 March 2022 is £nil (2021: £nil).

Company

As at 31 March 2022 the Company only financial statements contain provisions of £nil (2021: £nil).

19. CALLED UP SHARE CAPITAL

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Allotted, called up and fully-paid		
1,999,999 A ordinary shares of £0.01 each	20	20
424,375 B ordinary shares of £0.01 each	4	4
18,345 C ordinary shares of £0.01 each	-	-
319,026 D1 ordinary shares of £0.01 each	3	3
41,277 Deferred shares of £0.01 each	-	-
271,517,758 preference shares of £1.00 each	271,518	271,518
	271,546	271,546

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

The preference shares are non-redeemable (other than in a return of capital, and then in preference to the ordinary shares), and carry an annual, non-discretionary dividend compounding annually at a rate of 10% per annum.

A reconciliation of share movements to 31 March 2022 is given below:

Type of shares	Ordinary	A Ordinary	B Ordinary	C Ordinary	D1 ordinary	Deferred	Preference
20 January 2017	1						
31 March 2017	(1)*	1,999,999	368,750	15,940	-	-	271,517,758
1 October 2017	-	-	18,750	811	-	-	-
29 November 2017	-	-	-	-	238,043	-	-
2 January 2018	-	-	36,875	1,594	-	-	-
26 March 2019	-	-	-	-	54,635	-	-
31 March 2020	-	-	-	-	67,625	-	-
31 March 2020	-	-	-	-	(41,277)	41,277	-
At 31 March 2022	-	1,999,999	424,375	18,345	319,026	41,277	271,517,758

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

20. NOTES TO THE CASHFLOW

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

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

	As at 1 April 2021	Cash flows	Other non-cash charges	As at 31 March 2022
Cash at bank and in hand	19,213	40,955	-	60,168
Senior term debt	434,316	(434,316)	-	-
Senior revolving facility repayment	20,000	(20,000)	-	-
Senior secured notes	-	475,000	-	475,000
Unamortised loan arrangement costs	(10,097)	(10,397)	10,417	(10,077)
Net senior debt	425,006	(30,668)	10,417	404,755

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

21. FINANCIAL COMMITMENTS

Group

a) Capital commitments

At the end of the year the Group had contracted capital commitments of £546,535,587 (2021: £165,545,940) relating to the purchase of vehicles for leasing to its customers. These commitments are expected to be met within the next 12 months. The Group had no other capital commitments.

b) Contingent liabilities, cross-guarantees and security

The Group's banking facilities are subject to a standard cross guarantee with other Group subsidiaries. At 31 March 2022 the amount secured under this guarantee was £nil (2021: £nil).

The Group's senior secured notes and super senior revolving credit facilities, as refinanced in January 2022, are subject to security covering: shares held in certain subsidiary companies of Zeus Bidco Limited; certain structural intercompany receivables owed to guarantors under these notes and facilities; and Zenith Finco plc's and each guarantor's assets and undertakings under a floating charge.

At 31 March 2022 the Group was committed to the future purchase of vehicles with a cost of £48,982,227 (2021: £14,842,848).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

21. FINANCIAL COMMITMENTS CONTINUED

c) Buy-back commitments

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Within one year	825	1,637
Within two to five years	482	1,372
	1,307	3,009

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

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

d) Pension arrangements

The Group makes contributions to various money purchase schemes on behalf of certain employees. The cost charged in the profit and loss account during the year was £1,579,000 (2021: £1,364,000). The amount unpaid as at 31 March 2022 was £331,000 (2021: £211,000).

e) Operating lease commitments – as lessee

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

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Amounts due:		
Within one year	1,769	1,769
Within two to five years	7,075	7,075
More than five years	884	2,653
	9,728	11,497

Company:

The Company has no financial commitments for the year ended 31 March 2022 (2021: £nil).

22. FINANCIAL INSTRUMENTS

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

At the balance sheet date, the Group had in place hedging arrangements to reduce its exposure to movements in interest rates. The Group has used a combination of interest rate caps and interest rate swaps (whereby it has swapped floating rates for fixed rates) against the amortisation profile of its term loans until their expiry. The indicative market value of these derivatives as at 31 March 2022 is an asset of £10,133,131 (2021: liability £3,474,805).

	2022 Group £'000	2021 Group £'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
· Derivative financial assets (see note 23)	10,133	-
Debt instruments measured at amortised cost		
· Loans receivable (see note 15)	98,301	92,911
Measured at undiscounted amount receivable		
· Loans receivable (see note 15)	77,832	75,007
As at 31 March	186,266	167,918

	2022 Group £'000	2021 Group £'000
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
· Derivative financial assets (see note 23)	-	3,475
Measured at amortised cost		
· Loans payable (see notes 16 and 17)	772,963	723,153
· Obligations under finance leases (see notes 16 and 17)	778,734	633,198
Measured at undiscounted amount payable		
· Trade and other creditors (see notes 16 and 17)	278,232	235,038
As at 31 March	1,829,929	1,594,864

The Company's financial assets and liabilities are measured at undiscounted amount receivable or payable except for Fixed asset investments in subsidiaries (note 13) which are classed as equity instruments and are measured at cost less impairment.

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Fair value gains		
On derivative financial assets designated in an effective hedging relationship	13,608	1,474
	13,608	1,474

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	As at 31 March 2022 £'000	As at 31 March 2021 £'000	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Group				
Derivatives that are designated and effective as hedging instruments are carried at fair value				
Interest rate caps	-	(280)	10,133	(3,195)

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

Interest rate risk associated with financial instruments

The Group provides financing to customers at fixed rate returns, which the Group borrows at variable rates initially; this creates a risk of mismatching interest rates on money bought and sold. Such risks are mitigated by entering into swap or cap transactions that eliminate the risk of such a mismatch.

Credit risk connected to financial instruments

The Group provides financing to customers that is, in effect, back-to-back with funding arranged with third parties, and interest rate swaps connected to that same funding (in the case of securitisation); if customers cannot meet their obligations to the Group, the business must nonetheless meet its obligations to the funder (and the swap counterparty), in essence taking a credit risk on the customer. Such risks are mitigated by detailed and considered credit committee decision-making, the segregation of credit decisions from the sales and business development functions, and, in the case of ZenAuto Limited, the use of technology-led approach to credit criteria and decisions.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

23. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Interest rate swap contracts

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

	Average contract fixed interest rate		Notional principal value		Fair value asset/(liability)	
	As at 31 March 2022 %	As at 31 March 2021 %	As at 31 March 2022 £'000	As at 31 March 2021 £'000	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Outstanding receive floating pay fixed contracts						
Less than 1 year	0.6%	0.6%	177,339	80,635	3,377	(280)
1 to 2 years	0.5%	0.5%	154,664	76,031	3,035	(265)
2 to 5 years	0.7%	0.5%	185,058	472,020	3,719	(2,930)
More than 5 years	1.0%	-	95	-	2	-
			517,156	628,686	10,133	(3,475)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is GBP-SONIA. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

Gains of £11,023,000 (2021: losses of £1,194,000) were recognised in other comprehensive income.

24. RELATED PARTY TRANSACTIONS

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

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

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Salary and short-term benefits	3,254	3,336
Group contribution to money purchase pension scheme	86	76
	3,340	3,412

Amounts included in the table above reflect the remuneration of the 14 (2021: 17) key management personnel who are members of the holding and leadership boards.

On January 27, 2017, funds managed by Bridgepoint, members of senior management, Topco, Zeus Finco Limited, the Third Party Security Provider and the Company entered into an investment agreement (the "Investment Agreement") relating to Topco. The Investment Agreement has been amended and restated from time to time and most recently on January 20, 2022. Pursuant to the Investment Agreement, the parties entered into put and call agreements, and issued shares and shareholder debt, pursuant to an agreed capital structure schedule to finance the purchase of Contract Vehicles Holdings Limited (and its subsidiaries) and Zenith Group Holdings Limited (and its subsidiaries) and to refinance certain debt related to these acquisitions. The Investment Agreement regulates the corporate governance of the Group, including in respect of strategic matters that include Topco's issuance of additional capital, the incurrence of indebtedness and exit rights, among others. In addition, pursuant to the Investment Agreement, Bridgepoint has appointed two directors to Topco's Board who provide financial oversight, monitoring services and other advisory services to the Group, for which Bridgepoint is entitled to an annual monitoring fee of £125,000 per director plus reasonable expenses. The monitoring fee may be reviewed and increased annually. For the financial year ended we paid a monitoring fee in the amount of £250,000 (2021: £250,000).

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

25. ULTIMATE CONTROLLING PARTY

At 31 March 2022, the largest and smallest group in which the results of the Company were consolidated are these Group accounts.

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

26. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

FINANCIAL STATEMENTS

GLOSSARY

Reconciliation of Loss for the financial periods to Adjusted EBITDA excluding ZenAuto

Zenith Automotive Holdings Limited (£000)	For the years ended March 31		
	2020	2021	2022
Loss for the financial period attributable to the shareholders of the Group	(102,415)	(98,845)	(119,282)
Tax charge/(credit) on loss	5,503	(4,376)	18,858
Finance costs (on shareholder investment and all other items)	61,311	66,862	75,268
Finance costs (Term Facilities/Senior secured notes and Revolving Credit Facility)	37,058	37,699	43,495
Operating exceptional items	-	359	63
Amortisation of intangible assets	25,516	26,365	26,639
Amortisation of goodwill	23,873	24,102	24,360
Depreciation of owned fixed assets	5,299	5,909	5,364
EBITDA	56,145	58,075	74,766
Add back: Adjusted EBITDA loss for ZenAuto	2,204	3,392	3,467
Adjusted EBITDA excluding ZenAuto	58,349	61,467	78,232

Reconciliation of Change in Cash and Cash Equivalents to Adjusted Operating Cash Flow

Zenith Automotive Holdings Limited (£000)	For the years ended March 31		
	2020	2021	2022
Net increase/(decrease) in cash and cash equivalents	52,540	(54,355)	40,955
Add back/(Deduct):			
Credit enhancement adjustment	2,818	26,528	(29,346)
Acquisition Cash Flows	-	10,490	-
Financing - bank loans raised/repaid (revolving credit facilities and term facilities)	(60,000)	40,000	(20,685)
Financing - interest paid	29,551	35,078	31,534
Corporation tax paid	4,063	2,301	1,156
Purchase of non-fleet fixed assets	8,143	8,294	10,217
Securitisation refinancing: fees and expenses	-	-	8,011
Senior debt refinancing: fees and expenses	-	-	8,761
Adjusted Operating Cash Flow	37,115	68,336	50,603

Note: "Credit enhancement adjustment" represents the credit enhancement for the year, as adjusted as if our new securitisation programme entered into in August 2021 had been entered into at the beginning of the period indicated. See "Description of Certain Financing Arrangements" in our offering memorandum dated January 2022. Our former securitisation arrangements had lower advance rates on vehicle RVs, in particular. Credit enhancement is a key working capital requirement and represents the difference between the securitisation funding advance rate received, including any RV funding, and the purchase price of the vehicle.

Non-statutory Cash Flow presentation: EBITDA to Adjusted Operating Cash Flow to Net Cash Flow for the period

Zenith Automotive Holdings Limited (£000)	For the years ended March 31		
	2020	2021	2022
EBITDA	56,145	58,075	74,766
Change in working capital, including vehicle funding and payments	(19,030)	10,620	(24,100)
Exceptional items	-	(359)	(63)
Adjusted Operating Cash Flow	37,115	68,336	50,603
Purchase of fixed assets	(8,143)	(8,294)	(10,217)
Corporation tax paid	(4,063)	(2,301)	(1,156)
Cash flow before acquisitions and corporate financing	24,909	57,741	39,230
Pro forma credit enhancement adjustment	(2,818)	(26,528)	29,346
Acquisition Cash Flows	-	(10,490)	-
Financing - bank loans raised/repaid	60,000	(40,000)	20,685
Financing - interest paid (previous revolving credit facility and senior term debt)	(29,551)	(35,078)	(31,534)
Securitisation refinancing: fees and expenses	-	-	(8,011)
Senior debt refinancing: fees and expenses	-	-	(8,761)
Net cash flow (change in Cash and Cash Equivalents)	52,540	(54,355)	40,955

Note: this cash flow presentation reconciles between EBITDA (i.e. as reported, after deducting losses from ZenAuto Limited) to Adjusted Operating Cash Flow, from which we derive our cash conversion KPI, to Cash Flow before acquisitions and corporate financing, which is the cash flow measure we regard as closest to a measure of cash flow available for debt service and similar financing, and to Net Cash movement.



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